



**DECENTRALIZATION  
PROCESS 2009:  
INSTITUTIONAL CONTEXT  
AND CRITICAL AGENDA**



**USAID**  
DEL PUEBLO DE LOS ESTADOS  
UNIDOS DE AMÉRICA

**PERU ProDescentralización**



**DECENTRALIZATION  
PROCESS 2009:  
INSTITUTIONAL CONTEXT  
AND CRITICAL AGENDA**

## **Decentralization Process 2009: Institutional Context and Critical Agenda**

April 2010

### **USAID / Peru ProDecentralization Project**

Av. 28 de Julio 1198, Miraflores (Lima 18)

#### **Project Manager:**

Thomás K. Reilly

#### **Team in Charge:**

Elena Alvites

Violeta Bermúdez

Cinthya Tello

#### **Pedagogical Adaptation:**

Zoila Acuña, advisor USAID / Peru ProDecentralization Project.

#### **Design and lay-out:**

Neva Studio S.A.C.

Legal Deposit N° 2010-06448

©April 2010 USAID/Peru ProDecentralization Project.

Copies: 5,000

The information in this report may be entirely or partially reproduced, provided that the source is acknowledged and a copy sent to the USAID/Peru ProDecentralization project.

The objective of the USAID/Peru ProDecentralization project is to support the Peruvian state in extending and consolidating the decentralization process. This report has been made possible thanks to the support of USAID/PERU, in the terms of contract N° EPP-1-03-04-00035-00. The opinions expressed by the authors do not necessarily reflect those of the United States Agency for International Development (USAID).

ProDecentralization is a project of the United States Agency for International Development (USAID), implemented by ARD Inc.

# Presentation

---

The main objective of the USAID/Peru ProDecentralization Project is to cooperate with the Peruvian state in its efforts to further the decentralization policy. This is the summary of the report *Decentralization Process 2009: Balance and Critical Agenda*, and it presents plainly and clearly the most important aspects of the report. It particularly highlights the political and institutional context of the decentralization process in 2009, and the short- and medium-term critical agenda for strengthening the process.

The aim of this paper is to provide the public with useful general information about the status of the decentralization process to 2009 and about the critical agenda, for analysis and discussion<sup>1</sup>.

We hope this summary will be a contribution which helps further and strengthen decentralization in Peru, and will become a reference for the commitments of those who have pledged to assume public responsibility in the upcoming decentralized elections.

---

1 For further information on decentralization, see the *Decentralization Process 2009 Report: Balance and Critical Agenda*, in: [www.prodescentralizacion.org.pe](http://www.prodescentralizacion.org.pe)



# Decentralization context and critical agenda: 2009

In 2009, internal aspects of decentralization show that the process is not complete but is still being built.

... Despite the fact that this year is the third time authorities will be elected to run the regional governments, set up in 2003



1

## What was the scenario of the 2009 decentralization process?

The highlights of decentralization in 2009 were:

- 1.1 The economic scenario
- 1.2 Civil unrest
- 1.3 Regulations
- 1.4 The institutionalization of channels representing regional governments.

## 1.1 The economic scenario

The international financial crisis overshadowed decentralization threatening all global markets and damaging economic and productive sectors.

Peru was no exception. The financial crisis affected its economy, reducing domestic demand and causing a drop in mineral prices. That is why the Executive: i) designed and implemented the Economic Promotion Plan and ii) finished the work pending from 2008, and also adopted measures to increase public spending. The aim was to maintain economic growth and keep employment rates stable, by giving priority to spending on infrastructure works and supporting productive activity.

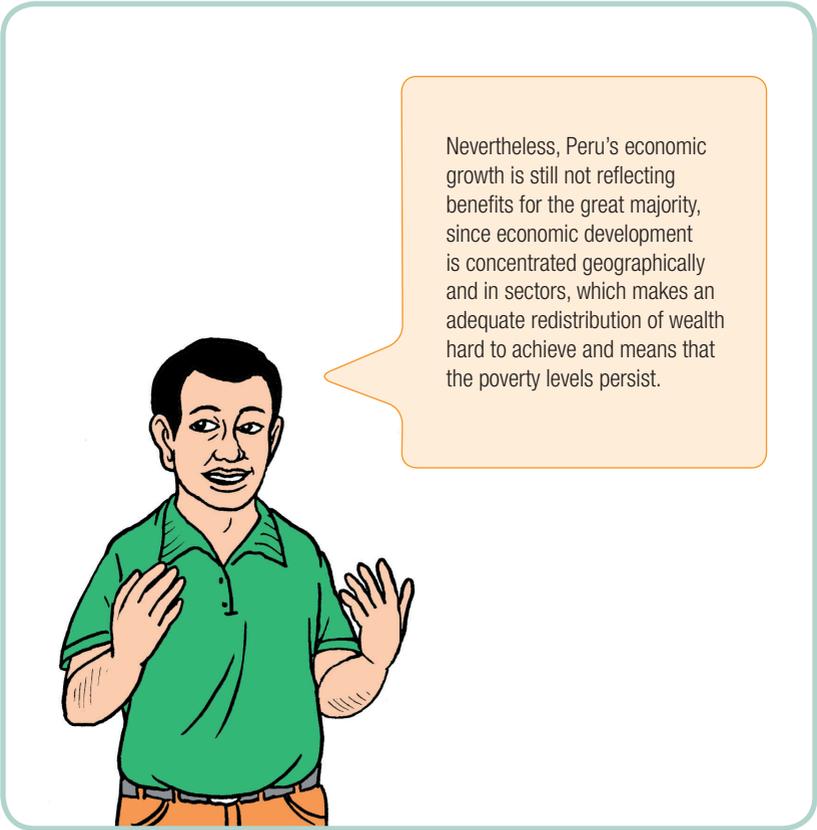
However, according to decentralized entities and the regional and local government associations, the economic measures were centralist because they were adopted without seeking the consensus of those involved<sup>1</sup> and because they were accompanied by extra control mechanisms by National Executive departments.



The international financial crisis not only jeopardized the economic models implemented, it also affected the social, political and institutional development of each country. As a result, countries adopted national policies and measures to offset its effects, called “Anti-crisis Plans”.

1 InWent - Internationale Weiterbildung und Entwicklung gGmbH. Procesos de Descentralización de la Región Andina: Situación y Perspectivas, Dialogo Regional - Programa Capacidades. La Paz, September 2009, p. 4.

Peru also received the Moody's Investors Service investment grade, because of the country's capacity to resist external shocks, based on stable macroeconomics and specific stabilization policies. The Doing Business 2010 report ranked Peru in 56th place, the second Latin American country to record an improvement in its business environment indicators



Nevertheless, Peru's economic growth is still not reflecting benefits for the great majority, since economic development is concentrated geographically and in sectors, which makes an adequate redistribution of wealth hard to achieve and means that the poverty levels persist.



The favorable economic figures reflect the growth in raw materials, but not the marketing of products with added value. This explains the need for a long-term decentralized competitiveness policy which makes the most of the territories' competitive advantages.

There are also other aspects of the scenario, like low productivity, low educational levels, the scant access to health services, corruption and the high number of people still in the informal sector in Peru.

Economic development policies should be geared to tackling all these matters, so that Peru can be a more competitive country, able to sustain the growth levels achieved.

## 1.2 Civil unrest



The climate of tension and civil unrest was another factor which affected the context of decentralization, forming part of the public agenda in 2009.

Throughout the year, the amount of civil unrest grew.<sup>2</sup> In many cases, the rise was related to the lack of information provided for the public; particularly regarding investment promotion, macroeconomic figures compared with the amount of unmet basic needs people face, and perceptions of respect for their rights.

### What lessons can we learn from this situation?

- The need for designing and implementing strategies for people to be better informed about the impact investment will have on their lives.

The implementation of adequate checks and balances for the potential negative effects these activities can have on daily life. Above all bearing in mind the effects of climate change which impact on the quantity and quality of vital resources, for example the availability of water for human consumption and agriculture.



The breaking point in the spiral of civil unrest was in Bagua (Amazonas) in June, 2009 above all because of the loss of life. This lamentable event entailed changes in ministers and in national government strategy for improving civil unrest management. It also entailed changes in decentralization policies.

<sup>2</sup> In early 2009 the Ombudsman reported 211 cases of civil unrest in Peru. A total of 100 of them were due to socio-environmental reasons, while in December the number of cases had risen to 267. Some 124 of these arose from socio-environmental problems. Ombudsman report on civil unrest N° 59, January 2009, p. 4; Civil Unrest Report N° 70, December 2009, p. 4.

In the second half of 2009, with regard to decentralization, stress was put on implementing measures geared to facilitate and involve the public in the disbursement of public spending through what are called “*núcleos ejecutores*”. However, the policy of people’s decentralization through “*núcleos ejecutores*” produced controversy between the decentralized parties.

### 1.3 Regulations

In the final quarter of 2009:

- The regulations of the Inter-government Coordination Council, (CCI) the consensus-building forum for decentralization policies between the three levels of government. Their approval has not escaped criticism from regional and local government.
- Still pending are the regulations for the implementation and functions of regional integration initiatives promoted by some regional governments (particularly the regional governments of Amazonas, San Martín and La Libertad), which have moved from the proposal for a pilot region to one for a regional cluster.

2010 is seen as an opportunity both for state authorities and political parties and movements which want to win public confidence in order to become decentralized authorities.



Expectations are:

That the approaching approval of the National Regionalization Plan lay the foundations for establishing the regulations for decentralization.

That electoral manifestos be in line with the issues pending on decentralization and the pending major national challenges such as:

- Better public levels of health, nutrition and education.
- Beating poverty and exclusion.
- Less civil unrest to generate a climate of confidence and national, regional and local governance for the country to be developed.

## 1.4 Institutionalization of channels for the representation of regional governments

The regional governments as the second level of government of the Peruvian state became institutionalized as political entities both individually and collectively, through the National Regional Government Assembly (ANGR). In 2009 the ANGR was constituted as a non-profit association, with 24 regional government members.

The ANGR is an entity which represents these government branches and can legitimately liaise with public and private organizations. As an example of its level of institutionalization it has managed to articulate and pool efforts with the Peruvian Municipalities'

Association (AMPE) and the Peruvian Rural Municipalities Network (REMURPE) to:

- Deliver to the National Executive the decentralized governments' requirements for drafting the budget for the 2010 financial year
- Draft a new proposed regulation on fiscal decentralization.



The municipalities' and regional governments' associations have played an important role in negotiating in, managing and monitoring civil unrest.



The level of institutionalization achieved by regional governments in 2009 in the decentralization process is one of the most important building-bricks for the decentralized state, above all now that 95 percent of social functions have been transferred to them.

2

## What were the highlights of the 2009 decentralization process?



There were seven in 2009.



1. Coordinated leadership of process in course.
2. Progress in the transfer of functions and starting decentralized public administration.
3. Progress in implementing the three administrative systems:
  - a. Results-based budget.
  - b. National Human Resources System.
  - c. National Strategic Planning System.
4. Active participation of decentralized governments in the debate over the 2010 public budget.
5. Changes in the scenario and rules for regional integration:
  - a. Three active Inter-regional Coordination Committees.
  - b. Regional associations (mancomunidades) proposal.
  - c. Municipal associations (mancomunidades) established.
6. New elections rules for decentralized government.
7. Promotion for decentralized development investment.

A critical agenda has been defined, to continue contributing to the work of those in charge of the decentralization process. Let us see what it proposes.



### 3

## What does the critical agenda propose for the next few months?

### 3.1 The Executive Branch

#### Prime Minister's Office

- a. Review and supplement the Intergovernmental Coordination Council regulations to establish it as an institutional channel to lead the decentralization process. To do this it is necessary to:
  - Reach agreement with the decentralized governments (ANGR, AMPE and REMURPE) on the amendments possibly needed on the recently approved regulations, to recover the prior consensuses and strengthen them.
  - Guarantee that there are sufficient resources to continue working, and that the local government elections representatives do represent the variety of the municipalities in each department.

Let's see what each specific branch of the PM's Office should do.



## **A. The Decentralization Secretariat**

- a. Conclude the National Regionalization Plan, bearing in mind the various scenarios for integration and the decentralized governments' proposals.
- b. Spread information about the new functions which regulations have assigned to the Inter-regional Coordination Committees (JCI), particularly those that reinforce their role as a forum for the integration of regional governments.
- c. Design and implement an information system on decentralized administration which links up the information produced by the various parties involved and the various regulations they have. The system should enable the process to be monitored overall and include information about the decentralization process freely accessible to the public.
- d. Draft the supplementary guidelines to the National Capacity-building Plan to consolidate the various activities it has scheduled, chiefly those concerning decentralized administration of services that are part of the functions transferred to regional and local governments.

## **B. Public Administration Secretariat and Ministries**

- e. Effectiveness in the implementation of the Organic Law of the Executive Branch:
- Finish drafting the matrices which define the competences and distribution of functions of the ministries with shared competences, for approval by the Cabinet.
  - Incorporate into the Bills on ministries' organization and functions the regulations that govern the inter-government links between sectors for coordinating and implementing national and sector policy.
  - Getting congress' agreement on the various ministries' organization and functions Bills associated to the matrices that define competences.
  - Design - on the basis of consensus with decentralized governments - the elements of the role of the regulator of the national government sectors.
- f. Conclude by setting up inter-government commissions from each of the ministries to promote building the decentralized administration of the services which are part of the functions transferred to the regional governments, which should work with a territorial approach to customer service.

**CEPLAN (Strategic Planning National Center)**

- g. Approve the '*Plan Peru*', the 2010 - 2021 National Development Strategic Plan, with consensus-built proposals, lines of action which comply with the decentralized governments' development programs and an updated diagnostic of the circumstances in the country. Here it is fundamental to support CEPLAN 's work, ensuring that funds are available and that the political will exists for implementing its tasks.

**D. SERVIR (National Civil Service Authority)**

- h. Strengthen the decentralized state's human resources through implementing the provisions in the Regulations of Legal Decree N° 1025 (D.S N° 009-2010-PCM), which develops the main guidelines for strengthening the capacities of the public sector and incorporates an incentives and evaluations system.
- i. Continue with the reform of the civil service, until a new legal basis for the civil service and salaries for decentralized state personnel is adopted.

## Ministry of Economy and Finance and the Prime Minister's Office

- j. Approve regulations permitting regional governments in the Inter-regional Coordination Committees (JCI) to disburse their resources jointly and hence implement the projects they have been designing.
- k. Avoid “*recentralization*” in the allocation of the public budget, promoting measures for generating a balanced approach with some degree of freedom, but conditioned as follows:
  - Liaison and consensus-building between the departments of the executive (Ministry of Finance and other ministries), regional and local governments to draft the public budget.
  - Develop the Capacity-building Program: Budget by Results, Public Budget Administration, Participatory Budget etc.
  - Design a costing system related to the expenditure needs, whose implementation would complete the first stage of fiscal decentralization.
  - Guarantee that the Multisectoral Commission on fiscal decentralization is functional and can draft its technical proposal in the interval established in the Public Budget Law for the 2010 fiscal year; geared to implement reforms in fiscal decentralization.

- Guarantee the effectiveness of the Plan of Incentives for the Improvement of Municipal Administration and the Program for Municipal Modernization stipulated in Law N° 29332, through monitoring and technical assistance for local government.
  - Agree the drafting of the 2011 public budget.
- I. Review and formulate proposals for amending the regulations that govern state administration systems, for these to be useful for decentralized administration to be developed by regional and local governments in their jurisdiction; in particular, the systems for the public budget, supplies, public spending and strategic planning.

## Ministries Responsible for the Productive Sectors

- m. Promote local and regional economic development:
- Implement the Productive Competitiveness Law, coaching and a promotion program for it.
  - Implementing the Law on Benefits for Promoting Productive Development in the High Andes, which needs a diagnostic of the equitable and technical criteria for its implementation.

- Evaluating the results of the benefits produced by the SME Law, geared to strengthening decentralized business initiatives and fostering sector growth.
- Funding to foster economic and productive development initiatives.
- Continuing implementing priority projects in public and private investment, seeking mechanisms agreed with the population which show the benefits they will obtain so that they are accepted and sustained.

## **3.2** The Legislative Power

- n. Debate and pass laws on the organization and functions of the ministries following approval by the Executive of the matrices defining competences and distribution of functions.
- o. Monitor how the reforms have impacted on the Regional Elections Law and if need be make the adjustments to guarantee representativity, the balance of power and regional governance.

- p. Review and perfect the general legal framework of the decentralization process, in particular of the Regional Government Law and the Municipalities Law, so that the legislation is useful to the decentralized administration of the functions assigned to them.
- q. Review and perfect the legal framework of the mechanisms for public participation implemented in the process of decentralization and participatory budgets and Local and Regional Coordination Councils, so that public participation can contribute to decentralized administration.
- r. Perfect and complete the legal framework to facilitate the regional governments and municipalities in implementing institutional restructuring and modernization
- s. Draft and debate a general civil service and state salaries law so that the diverse labor systems in the state can be resolved. This should be done on the basis of the principles of the Public Employment Framework Law, with the aim of ensuring that all state employees are incorporated into the civil service on the basis of criteria on merit and ability, and equal opportunities for men and women.

### 3.3 Regional and Local Governments

- t. Identify the obstacles the state's administration systems presents to decentralized administration, report on them to Congress and the Executive and formulate proposals for changes on the basis of circumstances in the regional and local areas.
- u. To inform the local population of the regional integration proposals in which they are involved.
- v. Hold a self-critical evaluation of the administration so far and share this with the electorate.
- w. Participate in consensus-based fund allocation.
- x. Implement results-based management and budget:
  - Follow-up and monitoring of strategic program indicators used locally and regionally.
  - Design participation mechanisms for implementing the results-based budget.
- y. Promote regional and local economic development:
  - Incorporate into consensus-built economic development plans a technical diagnostic of the territory's potential, including mapping and its main competitive advantages, linking this up with national priorities.

- Promote the inter-and intra-regional business and investment climate, benefiting the creation of micro and small inclusive enterprises, linked to national clusters.
- Simplify administrative procedures.

### 3.4 Regional and Local Government Associations: ANGR, AMPE and REMURPE

- z. Continue working in coordination to identify critical points and generate proposals geared to improving decentralized administration to strengthen the decentralization process.
- aa. Contribute to the institutional strengthening of decentralized governments through training events, technical assistance and transferring information.

### 3.5 Regional and Local Political Parties and Movements

- ab. Include in their manifestos the diverse aspects of the decentralization critical agenda: Focus on the decentralization of public services, setting priorities for local and regional policies, regional integration and participation in the consensus-building process of decentralization.
- ac. Promote gender equality and inclusion as priority policies of government administration.

### 3.6 Civil Society

- ad. Active participation in local participatory administration through formulating concrete and viable proposals.
- ae. Watching and monitoring the decentralization process and particularly the decentralized administration of services, participatory budget, results-based budget and economic development promotion.
- af. Follow-up and monitoring of the various state agencies' commitment and collaboration with the decentralization process.

This critical agenda was drafted on the basis of consultation with over eighty players in the decentralization process and experts in the field.

... in meetings in the Ayacucho, Junin, Lima and Ucayali departments.



**USAID**  
DEL PUEBLO DE LOS ESTADOS  
UNIDOS DE AMERICA

**PERU ProDescentralización**

**Working for a decentralized country**





**Project Office**

Av. 28 de Julio 1198, Miraflores  
Tel.: 444 4000 / Fax.: 241 8645  
[www.prodescentralizacion.org.pe](http://www.prodescentralizacion.org.pe)