The Dissertation Committee for Gonzalo Xavier Alcalde certifies that this is the approved version of the following dissertation:

Administrative Reforms in Peru, 2003-2006: Decentralization in Name Only?

Committee:

_____
Robert H. Wilson, Supervisor

_____
Peter Ward, Co-Supervisor

_____
Wendy Hunter

_____
Bryan Roberts

_____
Chandler Stolp

Administrative Reforms in Peru, 2003-2006:

Decentralization in Name Only?

by

Gonzalo Xavier Alcalde, B.A., M.A.

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Dedication

I dedicate this work to the memory of my grandfather, Ricardo Alcalde, who passed away when I was very young but instilled in me intellectual curiosity from a very early age. Any intellectual shortcomings on display here are, of course, entirely my own responsibility

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Gonzalo Xavier Alcalde, Ph.D.

The University of Texas at Austin, 2008

Supervisors: Peter Ward, Robert H. Wilson

Abstract

This dissertation examines Peruvian ministries' implementation of administrative decentralization, 2003-2006, and identifies factors shaping their decentralization policymaking. In administrative decentralization, implementation involves translating broad guidelines into sectoral transfer policies. Sectoral policymakers who execute decentralization mandates are, therefore, responsible for relinquishing authority and resources to subnational governments. Despite this challenging situation, little is known said about factors—political or otherwise—shaping the implementation of administrative decentralization.

The initiation of state decentralization programs throughout Latin America has been examined and largely attributed to national political factors, rather than technical considerations. However, transferring power is not an assured outcome of national politicians' decisions to decentralize. This study explores a process that continued to be shaped by ministries after national political actors ceased to be involved; after a rapid

start of top-down reforms, administrative decentralization virtually stalled under their control.

Peruvian policy sectors are very heterogeneous, suggesting a need for distinct approaches to reform. Nevertheless, ministries' collective failure to implement rapidly has been attributed to generalized resistance to relinquish authority. This view is consistent with a bureaucratic politics-type understanding of public policymaking.

However, my comparative analysis of decentralization policies reveals that self-interested resistance is significant but does not coherently explain policymaking or variation between policies. Furthermore, while resistance is ubiquitous, there are different types of resistance to reform, coming from autonomous offices, top policymakers, or the Presidency.

In contrast, institutionalist lenses identify rules and processes that significantly condition possibilities for administrative decentralization. Policymakers face distinct challenges and opportunities in each sector; some ministries had deconcentration programs underway when national reforms started.

While institutionalist lenses elucidate distinct conditions for reform, focusing on "audacious reformers" highlights the role of individual agency. The exceptional case of Health features a complex organization led by a reform-minded minister to the forefront of reforms.

All three approaches to analyzing the implementation of administrative decentralization are complementary in providing coherent accounts of sectoral policymaking. Different combinations of institutional conditions, sectoral characteristics

and individual motivations are ultimately responsible for variation among approaches to reform. Administrative decentralization emerges, not as one process, but as a constellation of particular paths of reform.

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Glossary

CND: Consejo Nacional de Descentralización

PCM: Presidencia del Consejo de Ministros

MINCETUR: Ministerio de Comercio Exterior y Turismo

MINEDU: Ministerio de Educación

MINSA: Ministerio de Salud

VIVIENDA: Ministerio de Vivienda, Saneamiento y Construcción

MEF: Ministerio de Economía y Finanzas

PRODUCE: Ministerio de la Producción

MTC: Ministerio de Transportes y Comunicaciones

MINAG: Ministerio de Agricultura

Tables and figures

Chapter 1 - Introduction

Between 2001 and 2006, the administration of President Alejandro Toledo formulated and implemented a comprehensive—and unprecedented—state decentralization program in Peru. While there was initially wide political and popular support for such an ambitious policy, by the time a new administration took office in mid 2006 there was broad consensus regarding the government's failure to achieve many of the fundamental objectives of state decentralization.

In particular, by 2006 there was dissatisfaction throughout the country with the progress achieved in administrative decentralization, in terms of the process' stated objective of empowering subnational (regional and local) authorities in various sectors of policymaking. Many functions that were to be transferred from central to subnational governments remained in the hands of national ministries in 2006 and, furthermore, the majority of those transfers that were made effective during this period only implied formalizing existing arrangements or, in other cases, transferring responsibilities but no new resources.

This study analyzes the absence of significant progress in this crucial dimension of a state reform program, one that began in a context of national consensus and political support. It examines Peruvian ministries' implementation of administrative reform during the

period 2003-2006, and it identifies theoretically relevant factors shaping these ministries' decentralization policymaking in their respective policy sectors.

A focus on administrative decentralization

The study focuses on the administrative dimension of state decentralization, which involves distributing public sector functions between different levels of government. Ironically, the research process leading to this dissertation initially omitted analyzing both the implementation stage and the role of ministries and other bureaucratic agencies in administrative reform, as it focused on identifying the national political factors that determined the early (agenda setting and formulation) stages of the Peruvian reform process during 2001-2002. The original objective was to understand how the interests of stakeholders at the outset of reform shaped the eventual outcomes of decentralization. But by the time preliminary research began in mid 2004, the decentralization process was no longer high on the public agenda or prominent in the national media, and it had generally lost its early political momentum, in part because the President's interest in the process waned after the ruling party lost dramatically to the main opposition party (APRA) in the November 2002 elections of regional and local authorities. Also, Congress no longer played the leading pro-reform role it had briefly played in 2001-2002.

It soon became apparent through interviews and secondary-source research, however, that the process that was set in motion in 2002 was still moving forward, albeit slowly and unclearly. This was true despite the perceived lack of political interest from the most

visible national political actors. Early interviewees basically agreed that, barring a decisive return to reform leadership by the President or the head of the Cabinet, by 2004 any progress in decentralization depended primarily on decision makers in ministries and, to some extent, the central decentralization agency, while subnational governments had very little political power in shaping reforms.

This situation strongly suggested to the author that there were dynamics of decentralization that needed to be analyzed in order to fully understand how such a reform process is shaped, beyond the highly visible, initial political negotiations and conflict. Understanding these dynamics of implementation emerged as the more challenging and interesting research objective, and yet it became apparent that this stage of the process received scant attention in the Peruvian media or even in academic and technical publications.[1]

It was evident that bureaucrats implementing reform in multiple policy sectors were having a significant impact on the overall process of state decentralization. Achieving the key objectives set at the start of reforms was basically in the hands of these implementers, or sectoral decision makers; these officials were not just following guidelines from above. However, it was not clear what types of guidelines, motivations or priorities were at work. This appeared as an important issue that had yet to be carefully explored in the decentralization literature. Thus, by mid 2005 the research process changed course and

[1] One notable exception is that of reports published by the independent, Lima-based watchdog organization *Participa Peru*

focused on studying the dynamics of the implementation of decentralization in its administrative dimension, although without losing sight of the earlier stages of the process and their implications.

The nature of the problem

Formulating and implementing a reform program that empowers policymakers outside central government is a challenging goal from the onset of a decentralization process. In particular, the role of political and bureaucratic resistance to reforms at the level of central government looms as a compelling explanation why decentralization programs would not always succeed in increasing the decision-making power of subnational governments. After all, reforms require not only the proper design and execution of complex reforms, but also—just as importantly—that actors at the center relinquish resources and administrative authority.

Thus, because empowering subnational governments along different dimensions also involves limiting the power of those at the top, even starting reforms and setting the "rules of the game" for decentralization has been shown to be a matter of arduous negotiations between conflicting political actors. Politics,[2] often to a greater extent than technocratic considerations, can indelibly shape the timing and content of decentralization, and, ultimately, affect its impact at the subnational level.

[2] Understood here in the particular sense of struggle for power between individuals or organizations, i.e. "social relations involving intrigue to gain authority or power" as defined in Princeton's WordNet (http://wordnet.princeton.edu)

This fundamental importance of politics in initiating and shaping decentralization has been recognized for some time in the policy analysis literature as an inevitable reality that policymakers must confront. It has also been a driving factor behind a body of scholarly literature that seeks to more fully understand the determinants—political and otherwise—of decentralization processes and how they affect policy outcomes. Recent studies have elucidated the motivations of top authorities and the impact of initial determinants on the shape and outcome of decentralization processes, focusing their analyses on the national political arena at the outset of reforms (Garman, Haggard and Willis, 2001; O'Neill 2003; Falleti, 2005; Grindle, 2000; Montero and Samuels, 2004; Eaton, 2004; Rodríguez, 1997; Oxhorn, Tulchin and Selee, 2004). Such studies have made valuable contributions by identifying some of the factors that affect the outcome of decentralization.

In Latin America, the initiation of state decentralization programs throughout the region has amounted to a "wave" of reforms in recent decades (Eaton, 2003, 2004; Montero and Samuels, 2004), including the Peruvian case. As suggested above, the genesis of individual cases of reform within this Latin American "wave" has been largely attributed to national political factors, rather than technocratic considerations or regional factors (Montero and Samuels, 2004; O'Neill, 2005). Such findings notwithstanding, clearing the initial political hurdles and establishing a framework for change is not sufficient to guarantee success in transferring decision-making power; the model for reform itself also matters, as some crucial policy choices involve choosing between different models of

state reform—and sequences of reform in particular—and these do lead to a range of distinct outcomes (Falleti, 2005).

As this study will emphasize, after the outset of reform new actors come into play who can significantly shape a state program—such as decentralization—and these are often different actors from those that prevail at the beginning of reforms (as suggested by Thomas and Grindle, 1990). Implementing the administrative dimension of reform requires that guidelines set by the highest layer of government be applied to particular policy sectors and to a multiplicity of local and regional contexts—a major technical challenge. In doing so, a middle layer of implementers at ministries and other agencies—whose authority and resources are ultimately at stake—have significant discretion in translating guidelines from above into concrete policies.

Therefore, decentralizing the state remains a technical *and* political challenge during the implementation of its administrative dimension, as it is still necessary that those holding power release valuable authority and resources—a fundamentally political issue. This challenging, and significantly unexplored, role of bureaucratic policymakers during the implementation of decentralization is the central problem addressed by this study. While the impact of bureaucratic actors is often mentioned by technocratic policy reports, recent scholarly literature on decentralization in Latin America rarely theorizes about the political or other factors driving the implementation stage of a decentralization policy process or about its impact on the overall outcome of reform; rather, there is often an

implicit direct link between the factors shaping the earliest stages of reform and the ultimate results and impact of such reform (Falletti, 2005).

In Peru, a heterogeneous group of ministries has been in charge of shaping this transfer of power and authority to subnational levels. The heterogeneity of these ministries, in terms of budget size, types of expenditures and institutional characteristics, for example, and, on the other hand, of policy areas under their authority may suggest a need for distinct approaches to reform. Nevertheless, Peruvian ministries' collective failure to implement rapidly has been most often attributed to generalized resistance to relinquish authority (as in Azpur, 2005; SNV/PNUD, 2006).[3] In fact, many of those observers contend that ministries have purposefully led a process that is decentralization in name only, and such a claim would appear to be supported by data on the number of formal transfers that were fulfilled and by the nature of these transfers. This view is consistent with a pluralistic, bureaucratic politics-type understanding of public policymaking, which is, nevertheless, only one of several conceptual lenses through which one can approach a reform process.

General objectives of this dissertation

This study incorporates the implementation stage and the actions of sectoral policymakers into the analysis of the factors that shape a decentralization process and its outcomes. It examines sectoral decentralization policies in Peruvian ministries

[3] This view was shared by regional and local government officials who were interviewed at the Lambayeque regional government and the Independencia (Áncash) local government in 2006. See Appendix 1: Key informant interviewees in Peru.

comparatively. Such an approach was suggested, first, by perceived gaps in the academic literature on Latin American decentralization that are outlined in the literature review in Chapter 2. It was also suggested by the particular context and timeline in which this research was performed: what initially seemed like a study of the beginning of unprecedented changes in 2002 virtually became a study of the perceived failings of decentralization as its progress slowed down significantly during implementation.

The general objectives are, first, to describe and analyze key actors and general trends in administrative decentralization as well as in sectoral approaches to administrative decentralization; and, second, to understand how well alternative theoretical perspectives account for these policies. This Peruvian case (2002-2006) stands out because, given the rapid disappearance of high-level political leadership for reform, it clearly shows how actors—sectoral policymakers in ministries—who are virtually irrelevant at the outset of reforms can have significant discretion over the timing and content of administrative reform in each policy field undergoing changes. Although the policies that they develop for specific sectors (ranging from education and health to transportation and agriculture) vary, ministries can be (and have been) seen as collectively re-shaping the reform process as, in this particular case, they have generally not produced an expected delegation of decision-making powers.

This study seeks to identify determinants of the decentralization policies observed in relevant Peruvian ministries by testing three alternate explanations that are drawn from

different bodies of literature: “bureaucratic politics,” “institutional constraints,” and “audacious reformers,” which are described in Chapter 2. In this implementation scenario, the calculated self-interest suggested by a bureaucratic politics approach can appear to shape policies substantially: the first striking finding of this research is that most agencies have indeed failed to implement reform policies that involve forsaking decision-making power in the short-term. However, a closer examination of individual cases reveals, in light of policy variation across ministries, evidence of the impact of organizational legacies and individual reformers on distinct, yet modest, advances towards decentralization.

This dissertation also aims to broaden the scope of analysis reported in the literature on the determinants of decentralization, so as to help establish a more direct relevance of the findings of academic studies to policymakers and analysts preoccupied with the actual outcome of decentralization reforms. A much fuller understanding of the factors that shape a long and complex policymaking and political process is made possible when one incorporates additional elements to the analysis of state decentralization policy process in Latin America—first, the implementation stage of decentralization policymaking; second, a focus on the dimension of administrative decentralization (in addition to the political and fiscal dimensions of decentralization), and, third, the role of sectoral policymakers and other actors in addition to those shaping the outset of reform. Moreover, because the alternative conceptual lenses employed here are grounded in theory and can provide complementary accounts of decentralization policymaking, the explanatory factors

identified here as significant for Peru are expected to be useful in analyzing similar reform processes in other countries.

By examining changes across different policy systems and viewing decentralization overall as a policy process, this study expands on the scope of previous work on decentralization determinants by elaborating on a finding from the (mostly North American) public policy literature: implementers of public programs, who generally appear as relevant actors after broad guidelines for reform are in place, are also policymakers themselves. Implementers do shape policies and influence outcomes, often with political motives (Kettl and Fesler, 2006; Mazmanian and Sabatier, 1983; Lipsky, 1980). Thus, it is important to examine the implementation stage of decentralization in order to understand the factors that shape the outcome of such a policy process.

The Peruvian case

Recent reforms in Peru occurred in a context that is conducive to understanding the determinants of administrative decentralization: within a relatively short time period, it is possible to readily distinguish distinct stages of policymaking, each of which features different outcomes and stakeholders. This case provides a suitable context to begin to identify the distinct dynamics of an implementation stage. As discussed at greater length in Chapter 3, there were major, visible milestones like the announcement of the decision to begin decentralization, its fulfillment through regional elections, and the formulation of the major aspects of a legal and administrative framework for decentralization, all of

which took place within a relatively brief period that culminated with the inauguration of elected regional governments in January 2003. This was followed by the formal initiation of the implementation of decentralization.

Moreover, the political context and the overarching framework for reform have created a leading, and virtually unchallenged, role for sectoral policymakers in central ministries and other agencies. Vis-à-vis ministerial policymakers, actors like authorities in subnational governments, the national decentralization agency CND, and the president and congressmen have been either powerless (the former two) or simply detached from the details of administrative decentralization (the latter two).

This limited impact of subnational actors in policymaking across different policy fields is not a recent phenomenon. In territorial terms, Peru is the largest unitary state in the Western Hemisphere, and the reform of the Peruvian state that is now ostensibly occurring has been preceded by a long history of centralized policymaking. Moreover, in broader socioeconomic and political terms the country has remained highly centralized through nearly two centuries of independent history; political power, wealth and industry are still concentrated in Lima, the capital, and generally in the coastal region. Not surprisingly, then, decentralizing Peru has long been a rallying cry for political leaders offering to resolve the country's deep regional socioeconomic disparities. However, the overall history of decentralization reforms since independence in the early 19th century has been largely one of unfulfilled promises (Zas Friz, 2001; Planas, 1998).

More recently, significant change seemed possible, as decentralization was a key electoral promise of all the main contenders in the 2001 presidential campaign, which was held in the context of democratic transition from the decade-long, authoritarian regime of Alberto Fujimori. In November 2002, the first direct elections of regional presidents, vice-presidents and legislators, and the approval of the *Ley Orgánica de Gobiernos Regionales* (Organic Law of Regional Governments)—followed by the inauguration of 25 regional governments in January 2003—effectively marked the beginning of the most sweeping and sustained state decentralization process that the country has experienced.

Defining key terms

In a general sense, decentralization involves a basic underlying movement: a shift in power or autonomy from the center to the periphery (Rodríguez, 1997). However, decentralization as public policy can be undertaken in any of a number of policy fields, and along several dimensions (fiscal, administrative, political, territorial, market, and more). It can be understood as a means to pursue diverse objectives of policymakers, which may be of a political, economic, administrative or other nature. In any particular context, some of the objectives being pursued through decentralization may be even contradictory, as different proponents of reform hold different expectations of such a multi-dimensional process (Oxhorn, Tulchin and Selee, 2004).

Considering that decentralization is a notoriously ambiguous concept, first it is important to clarify that this study will focus on public policies that are part of a process of *state decentralization,* which has been understood in recent literature as the:

> …diffusion of decision-making powers over specific policy areas, and the resources to implement those powers, from central to local authorities. (Mitchell, 2006, p. 176)

As mentioned above, transferring decision-making power from central government to subnational levels involves changes along different dimensions of public policymaking. Most relevant to state decentralization are the processes of political, fiscal and administrative decentralization, which together can be seen as routes to consolidating policymaking autonomy.

Political decentralization provides more power in public decision-making to citizens and their elected representatives at regional and local levels, and is related to increases in both representative and participatory democracy. The most pertinent indicators of political decentralization are municipal and regional elections. According to Schneider (2000), *fiscal decentralization* refers to how much central governments cede fiscal resources and authority to non-central government entities. This can be achieved through intergovernmental transfers, self-financing of services, increased subnational revenues, or subnational borrowing.

The objective of the third dimension, *administrative decentralization*, is to "redistribute authority, responsibility and financial resources for providing public services among

different levels of government" (Schneider, 2000). Thus, it is at the heart of the effort to increase decision-making power. But authority, responsibility and financial resources may be redistributed in varying degrees among different levels of government through administrative decentralization; a widely used typology, originally proposed by Rondinelli (1981), identifies three modes of administrative decentralization: deconcentration, delegation and devolution.

According to Bossert (2000), *deconcentration* is "generally the most common and limited form of decentralization, and involves the transfer of functions and/or resources to the regional or local field offices of the central government agency in question"; *delegation* "implies the transfer of authority, functions, and/or resources to an autonomous private, semi-public, or public institution," where such institutions remain accountable to central government; and *devolution* is the "cession of sectoral functions and resources to autonomous local governments that, in some measure, then take responsibility for service delivery, administration, and finance." Thus, only in devolution do central governments forsake authority and resources in a manner that allows for full policymaking autonomy at the subnational level.

However, it is important to note that the legal framework for Peruvian decentralization does not establish devolution as a final objective: "Defining, directing, regulating and administrating national and sectoral policies is an exclusive competence of National Government…" (CND, 2005, p. 122; translation by the author). Thus, a full

decentralization of sectoral policymaking is not contemplated in the Peruvian case, even in the long term. This study will distinguish instances of mere deconcentration within central government from those reforms that effectively decentralize and transfer authority and resources (through delegation) from central government entities to democratically elected subnational authorities. That Peruvian subnational governments are not to benefit from a full decentralization of policymaking may even be interpreted as a major reason to call this process one of decentralization "in name only" regardless of how it unfolds.

In the case of Peru (which may be typical given the nature of each dimension of reform), the most important aspects of fiscal and political decentralization are articulated quite clearly and with significant detail in the legal framework; this is described at greater length in Chapter 3. The content of administrative decentralization for each policy sector, however, remains at a level of generality that leaves much discretion for policymakers in the ministries that are in charge of these policy sectors.

Dissertation structure

This introductory chapter has established the general objectives of the study and the nature of the phenomena that are to be explored. Chapter 2 presents the relevant literature review in a number of fields that provide a conceptual framework for analyzing the case of administrative decentralization in Peru, and states the key research questions that this literature review suggests in terms of the problems being examined. Chapter 2 then describes the dissertation's methodological and conceptual frameworks.

Subsequently, Chapter 3 begins the exploration of the Peruvian case by analyzing the general national context, historical factors and the more recent social, economic and political processes that have led to—and helped to shape—decentralization reforms since 2002. It describes general political, economic, social, and geographic characteristics of the country, which set the stage for, and is followed by, an assessment of the current state of decentralization in fiscal, political, and administrative terms.

The third chapter also describes the long history of demands for decentralization, which mostly have been answered by unfulfilled promises and aborted reforms. In recent decades, there has been a constitutional mandate to decentralize the state but, in the period from the democratic transition of 1979-80 to the fall of the Fujimori regime (2000), there was only partial progress. Elected municipal governments have survived for over a quarter of a century, while the regional authorities elected in the short lived, late 1980s regionalization experiment were ousted when the process was reversed in the early 1990s.

In the elections that took place during the democratic transition period of 2000-2001, decentralization was a top priority in the political agenda of most candidates. This third chapter reviews the *agenda setting* and *policy formulation* stages by focusing, first, on the fulfillment of Toledo's decision to begin decentralization in the face of pressure from a multiple-district congress and the need to legitimize his rule. The ensuing description of

policy formulation (2002-2003) looks at the characteristics of the emerging institutional framework and at the actors involved. A brief description of the three major laws of the decentralization framework emphasizes their implications for the implementation of sectoral policies.

Chapters 4 and 5 seek to understand the extent to which bureaucratic politics account for the overall pattern of administrative decentralization and the differences observed in sectoral decentralization policies. Chapter 4 discusses the key actors and stakeholders in shaping implementation (2003-2006), and then describes how and why ministries and other sectoral agencies cam to have the upper hand in the process. From a bureaucratic politics perspective, which focuses on inter-agency conflict and the calculated self-interest of bureaucrats, these conditions lead us to expect that ministerial policymakers would successfully seek to preserve the status quo and avoid a real transfer of decision-making power. A general description of policies observed in the ministries in charge of sectors under decentralization provides evidence to support this: the transfer of unfunded mandates, unrealistic accreditation requirements for subnational governments and, often, the omission of decentralization in official planning documents.

Chapter 5 begins the analysis of individual cases of sectoral policies formulated by ministries by looking at the evidence of calculated self-resistance in three ministries. While evidence to support the self-interest perspective of bureaucratic politics is pervasive, as shown in the previous chapter, there are also hints that a lack of political

will does not tell the whole story. There is not an absolute lack of progress across the board, and bureaucratic politics does not seem to explain this observed variation. We would expect more resistance where there is a more consolidated sectoral authority and more centralized resources and power are at stake, but the variation in sectoral policies does not reflect this. Three cases of decentralization policy, with ministries involved in very distinct policy fields, are described in greater detail to illustrate how bureaucratic politics can tell a good part, though not all, of the story of administrative decentralization policies: Ministry of Commerce and Tourism, Ministry of Housing, Construction and Sanitation, and the Ministry of Education.

In order to test for alternative perspectives on sectoral policymaking that can provide a better account of the pattern of administrative decentralization, Chapter 6 approaches sectoral policies from perspectives that do not focus on bureaucratic resistance to decentralization, and through which a degree of progress in following the mandate for decentralization appears more feasible. It analyzes the different paths taken in different cases from perspectives highlighting, first, institutional factors and, second, the role of individual reformers. In general terms, this chapter assesses if the impact of institutional factors and individual reformers on sectoral decentralization paths can significantly explain the variation in policies that a bureaucratic politics approach does not account for.

Thus, this chapter illustrates how decentralization policies can also be explained by sector-specific, institutional factors and by the preferences of individual reformers. There

is evidence of institutional factors shaping particular policies across types of ministries. Several cases illustrate different interaction of institutional and bureaucratic resistance factors; one is the industry sector at Ministry of Production. Institutional contexts can explain distinct paths towards decentralization: two examples of modest progress in very different directions are those of Transportation and Agriculture.

Finally, recent reforms at the Ministry of Health illustrate the interaction of the aforementioned bureaucratic politics and institutional factors with a third decisive element: individual reformers. Health is one case of an "audacious reformer" leading slow progress, after 2002, but with options significantly constrained by previous decentralizing experience in the sector and resistance within the ministry's bureaucracy.

The seventh and final chapter presents the study's conclusions and some policy recommendations. Sectoral policymakers at ministries can be seen as collectively re-shaping the reform process that was started by national politicians in 2001-2002, as they—on the whole—held back on a real delegation of decision-making powers during the period under study. As initial findings suggested, bureaucratic politics is an important factor behind this general outcome, but there is also variation in sectoral decentralization policies that is driven by particular institutional factors and the actions of individual, reform-oriented policymakers. Thus, a bureaucratic politics-type approach only has limited explanatory power in terms of the determinants of sectoral policymaking, which is a much more complex undertaking than such a conceptual lens would suggest.

Administrative decentralization is of utmost importance to achieving central objectives of decentralization and, within this dimension of reform, institutions and individuals can be as significant as self-interested resistance in determining the success or failure of state decentralization.

Chapter 2 - Explaining administrative decentralization

The introductory chapter has established that the general problem that this study addresses is the largely unexplained—yet decisive—role of sectoral policymakers in administrative decentralization, which in turn affects the overall state decentralization process. This second chapter begins by presenting the relevant literature review in a number of fields that provide a conceptual framework for analyzing the determinants of administrative decentralization in Peru. In light of the issues explored in the literature review, the following section states the study's key research questions. Finally, this chapter describes the dissertation's methodological framework, which will make possible answering the dissertation's research questions through primarily qualitative methods.

Decentralization theory and practice

Theories in various disciplines, including economics and political science, have suggested the benefits of decentralizing decision-making in the state for many decades. The theories of fiscal federalism and democratic participation for state decentralization indicate substantial benefits, including more efficient allocation of economic resources, improved public services, and more accountable and responsive government, among others.

In economics, a favorable outlook on state decentralization can be traced back to Tiebout's influential work on the provision of public goods (1956), where decentralization enhances economic efficiency by allocating national income in a more

optimal manner. Local governments are found to be in a better position than central government to tailor outputs (goods and services) to local preferences, thus raising overall efficiency. There are, however, several strong assumptions behind Tiebout's model of local finance. For instance, consumer-voters are willing and able to move around to seek out a community ("voting with their feet") that provides the level of outputs (public goods and services, which imply a certain level of taxation) best suited to their sets of preferences.

Fiscal federalism theory builds on Tiebout's foundations by establishing "a general normative framework for the assignment of functions to different levels of government and the appropriate fiscal instruments for carrying out these functions" (Oates, 1999, p. 1121), and has been widely influential in favoring decentralization as a policy prescription. According to Oates, fiscal federalism establishes that central government is responsible for macroeconomic stabilization and for any necessary income redistribution, while subnational governments "have their *raison d'être* in the provision of goods and services whose consumption is limited to their own jurisdiction" (Oates, 1999, p. 1122) Fiscal federalism embraces a principle of subsidiarity as it assumes that public services should be provided by the lowest level of government "encompassing, in a spatial sense, the relevant benefits and costs" (Oates, 1999, p. 1122).

In political thought, arguments in favor of political decentralization—in the sense of bringing decision-making to a government that is closer and more responsive to citizens

than the national government—can be related to seminal discussions about the inherent benefits of democracy and participation in local government that go at least as far back as De Tocqueville in the 19th century. Insofar as decentralization brings government closer to the community level, it can be seen as potentially strengthening participation, accountability and democratic values as it provides more opportunities to access local policymakers. According to Pateman (1975), such increased citizen participation in the making of political decisions was considered a desirable end in itself in the classical participatory theory of Rousseau and J.S. Mill. Increased government accountability and citizen participation at the local level—an explicit objective of contemporary state decentralization programs like Peru's—were seen as serving to protect private interests and, more importantly, as serving an educative function: to develop responsible individual, social and political action through the effect of the participatory process. All this, in turn, would lead to a stable, self-sustaining participatory democratic system.

Peru's Basic Law of Decentralization (2002) adopts these economic and political assumptions. It establishes as a guiding principle that the activities of "government in all its distinct levels reach greatest efficiency, effectiveness and control by the population if they are carried out in a decentralized manner." (CND, 2006, translated by the author)

In practice, however, a favorable view of the decentralization of the state only became part of the international development orthodoxy in the 1970s, coinciding with the perceived failure of the strong developmental state as the prevailing post-World War II

model for rich and developing nations alike (Oxhorn, Tulchin and Selee, 2004). Furthermore, over time it has become evident that reaping the potential benefits outlined above depends on the existence of a number of economic, social and political conditions that are not easy to attain in developing countries (Bird and Vaillancourt, 1998).

Decentralizing reforms have been initiated in every region of the developing world (Oxhorn, Tulchin and Selee, 2004). However, the policy evaluation literature, based on a wealth of experiences throughout the developing world since the 1970s, has found a decidedly mixed range of outcomes (Rondinelli, Nellis and Cheeba, 1984, among others). In fact, decentralization reforms have sometimes produced unexpected negative effects on factors like macroeconomic stability (Prud'homme, 1995). An important lesson learned is that simply importing decentralization models from abroad into developing nations does not work: the design of reforms should reflect careful technical consideration of its pros and cons and of the significant trade-offs in choosing policies in specific national contexts (Rondinelli, Nellis and Cheeba, 1984; Litvack, Ahmad and Bird, 1998). According to the current World Bank (2007) approach, decentralization is a complex and multifaceted concept that in turn "embraces a variety of concepts which must be carefully analyzed in any particular country before determining if projects or programs should support reorganization of financial, administrative, or service delivery systems."

In light of the difficulties in achieving the objectives of decentralization in the developing world, by the 1990s the policy literature recognized that political processes and institutional context are ultimately more important than technical discussions in shaping decentralization processes and, therefore, for explaining their outcomes. According to Bird and Vaillancourt (1998, p. 34), "what may matter more than the precise nature of the technical solutions found in the different countries is the process through which such solutions are reached."

Both policy and political science literatures indicate that, in practice, state decentralization is born out of fundamentally political motivations much more often than of careful technical discussions aimed at solving perceived problems (Manor, 1999; Montero and Samuels, 2004). Yet, because experience has shown that decentralization programs must be tailored to the reality of each country, program design is crucial to achieving the objectives that each country sets for decentralization. These two ideas suggest a fundamental dilemma for those hoping to reap the benefits of decentralization: Decentralization can positively affect many policy areas, but it can also bring about negative side effects; it is only an instrument and not an infallible solution.

Campbell (2003) provides an influential and more optimistic assessment of the actual impact of decentralization reforms since the 1970's. The author describes the changes brought to Latin American cities (in ten countries) by decentralization as a "quiet revolution," where a new model of governance has developed. This emerging model

features greater political participation, innovative and motivated leadership and a new "fiscal bargain" between authorities and voters. Such improvements have been gradually achieved over many years and through a process that has distinct stages.

Studying decentralization in the Latin American context

For centuries, and even long before achieving independence, a centralist tradition of government has characterized Latin American countries (Véliz, 1980). While such centralism has been identified as the root of many development problems, and deep inequalities in particular, it has survived a long history of calls for reform. Politicians at the center have often spoken of the benefits of decentralization, especially during electoral periods, but it has been an unfulfilled promise in most countries, including those in the Andean region (Zas Friz, 2001).

Thus it is rather surprising that the last three decades, since the 1980s, have witnessed an unprecedented wave of reforms aiming at state decentralization, as changes have been initiated in virtually every country in the region (O'Neill, 2005). This regional trend can be seen as part of the wider adoption of decentralization as development policy in the developing world in recent decades, which has been related to democratization and economic liberalization processes in the early 1980s, as well as to the changing paradigm away from strong developmental states since the 1970s (Oxhorn, Selee and Tulchin, 2004).

In Latin America, the reforms of the last three decades have emerged in various national contexts and followed different paths, with state decentralization taking place in unitary systems like Bolivia, Chile, and Colombia, among others, as well as in federal systems like Brazil and Mexico. In some cases, changes were swift and rather drastic, as in highly centralized Bolivia, where almost overnight hundreds of local governments were created and given significant resources with the 1994 *Ley de Participación Popular*. In other cases, different policy sectors were decentralized at different times and not immediately following the beginning of overall reforms; in Mexico, the general framework for decentralization was established in the early 1980's yet education reform did not begin until 1992 (Robles, 2006).

In light of this remarkable wave of decentralization, many have sought to understand the determinants and effects of such a regional pattern. Political scientists have been drawn to solving the puzzle of why rational politicians would seem willing to give up power, contrarily to how politicians are normally expected to behave. Policy analysts, in contrast, have focused on the impact of decentralization and have observed that these reforms—like others throughout the developing world—still face considerable challenges in living up to the expectations of civil society and subnational authorities in Latin America (Peterson, 1997). Often, decentralization outcomes have not matched stated goals or the high expectations of civil society.

Academics seeking to explain state decentralization in Latin America have studied the overall logic of such reforms, generally pointing to the decisive impact of "top-down" factors (related to the interests of national political actors), rather than "bottom-up" forces from civil society or subnational governments.

Many comparative and single-country analyses have focused on the genesis of a reform process, often involving the executive, legislative bodies and political parties. Authors have identified particular determinants and motivations such as electoral calculations, party structure, legitimization of the state, and strategies to consolidate central power (Montero and Samuels, 2004; O'Neill, 2003; Willis, Garman and Haggard, 1999; Barr, 2001; Selee and Tulchin, 2004). Most often, these studies have looked at the political forces at work around the moment of decision that led to reforms as explanatory factors of eventual outcomes, but they also consider the importance of institutional contexts and underlying structural factors such as urbanization and demographic trends:

> …although decentralization focuses attention on the actions of elected national and subnational politicians and thus on the micro incentives that such politicians face, we believe that path-dependent economic and political legacies are too important to ignore (Montero and Samuels, 2004, p. 13)

On the other hand, some analysts postulate that many decentralization processes are "audacious reforms," purposeful efforts by politicians and technocrats to resolve fundamental issues of governance rather than the result of political calculations or conflict (Grindle, 2000). This problem-solving logic is not qualitatively different from the administrative or state efficiency objectives that are often pursued by decentralization,

although the latter often appear in conjunction with political objectives (Rodríguez, 1997; Serrano, 2004).

Other "top-down" determinants, such as the influence of international financial institutions (IFI's) and their technocratic allies or policy diffusion have generally been considered as secondary or not significant vis-à-vis the impact of national elites or political actors in general by the scholarly literature (Montero and Samuels, 2004; O'Neill, 2003). However, while many studies also minimize the significance of neoliberal economic reforms or democratization as determinants of decentralization, Selee and Tulchin (in Oxhorn, Selee and Tulchin, 2004) find that democratic transitions and economic reform provide important motivations in reforms in countries in Latin America, Africa and Asia.

Both Montero and Samuels (2004) and Wilson, Ward, Rodriguez and Spink (2008) consider that decentralization and greater democratization are "not necessarily linked in any causal way to each other" (Wilson et al., 2008, p. 4); however, the latter find that in cases like those of Brazil and Mexico, democratization that ensures greater participation at the subnational level can indeed help to achieve the success of decentralization reforms. In general, it can be argued that, even if these do not necessarily bring about decentralization, periods of democratic transition can be understood as providing rare windows of opportunity for reforms, which political actors may or may not choose to exploit; this has been argued for the case of Peru over several decades by Schmidt (1989).

Meanwhile, “bottom-up” forces, such as pressure from civil society or subnational authorities have been mentioned in most individual case studies and cases within comparative studies, but ultimately have been considered less significant insofar as these actors tend to lack the channels to influence the policymaking process at the national level (Montero and Samuels, 2004; Tanaka, 2002). In fact, some authors consider that there is a general lack of popular pressure for decentralization in Latin America (Oxhorn, Selee and Tulchin, 2005).

Eaton (2004), on the other hand, incorporates earlier historical periods and looks for path dependence and long-term consequences of institutional reform in his analyses of decentralization in Latin American countries. He finds evidence of both effective “bottom-up” pressures from subnational actors and “top-down” strategic actions by national politicians. Moreover, looking at the case of Peru over several decades, Schmidt (1989) had previously outlined how different macro-political variables could determine different decentralization outcomes, and pointed out how some configurations of these variables, as during transitions to democracy, provided “windows of opportunity” for pressures from below to affect change. Other studies have shown the role of civil society institutions in shaping decentralization in particular sectors (education, for instance, in Murillo, 1999).

Many authors have examined the factors shaping more specific dimensions of the recent wave of state decentralization in Latin America that are also relevant to the problems addressed by this study. Several comparative studies have adopted a sectoral view of decentralization, especially focusing on the characteristics of education and health reforms, including studies that explore the political determinants of sectoral reform in education, such as Kubal (2003) and Gershberg (1999). On the other hand, Tamborini (2005) has analyzed the implications of decentralization from a different sectoral perspective, focusing on tourism in Peru and Chile. He examines the emerging tourism industries of Peru and Chile and the conditions under which sub-national state actors facilitate (or not) tourism development; he found that sub-national government units, like their central counterparts, require institutional strength to have any kind of success. Such strength was found to be lacking at both levels in Peru.

Summing up, where the policy-oriented literature had previously focused on assessing the effects of decentralization and on elaborating recommendations for avoiding the observed pitfalls of reform, some recent academic literature looks at this phenomenon through political lenses to explain *why* decentralization is undertaken and how these factors shape policy outcomes. In doing so it tends to attribute the overall observed patterns of decentralization processes to political determinants, as "actors in political society and the state have played the primary role in initiating, implementing, and shaping decentralization" (Montero and Samuels, 2004, p. 13). While this dissertation seeks to be relevant to the interests of policy analysts, it primarily addresses this academic literature

on the determinants of state decentralization and contributes to it by incorporating the analysis of an additional stage of reform and a set of political actors that also shape reform decisively: those in charge of implementation. In order to understand the importance of such actors, however, it is necessary to properly approach state decentralization as a policy process in which implementation plays a crucial role.

State decentralization as a policy process

The recent literature on the determinants of decentralization in Latin America has, either implicitly or explicitly, assumed that reforms actually transfer power to subnational governments once central authorities get them going, as Falleti (2005) has pointed out. They have thus focused on the national political arena at the outset of reforms in order to explain outcomes; variation in the patterns of decentralization is, according to this prevailing view, primarily a function of national-level political factors that were influential during a relatively limited period in time. Falleti, a notable exception, focuses more closely on policy choice and formulation and identifies the sequence in which the different dimensions of reform (political, fiscal and administrative decentralization) are subsequently implemented, as a major determinant of decentralization outcomes. This sequence of reforms, nevertheless, is also traced back to initial decisions and policy formulation at the higher levels of government, rather than to other actors that may participate in the latter stages of the process.

This dissertation, on the other hand, assumes that the transfer of power to subnational authorities should not be taken for granted but as an empirical question. It adds to this, moreover, that by generally limiting their analysis to political and technical decisions made at the higher levels of government, authors exploring the determinants of decentralization (such as those included in Montero and Samuels, 2004 and Oxhorn, Selee and Tulchin, 2005) are leaving out important factors that can and do shape the outcome of public policies like decentralization.

By directly relating political processes and policymaking at the highest levels (determined by the executive, congress, political parties) with outcomes in intergovernmental relations, authors are implicitly assuming a politics-administration dichotomy. That is, there is an assumption that, once a decision is formalized and the enabling legislation is in place, implementation follows as a relatively mechanical process of executing laws from higher levels of government. Thus, the factors effectively determining the outcome of any decentralization process are to be found at the highest policymaking circles rather than in any intermediate policymaking instance in central government, such as ministries or other agencies, or in subnational government.

In contrast, this study proposes (following Thomas and Grindle, 1990) that the implementation stage of a reform program—understood as a period where directives from above are executed but where policies also continue to be shaped—must be closely examined. Indeed, this perspective applied to decentralization leads one to suspect that

there is an unexplored layer of political actors for whom the question should be asked: why would rational bureaucrats choose to limit their decision-making power?

Distinct stages of a policy process. A policy reform like state decentralization can be understood as the output of a policymaking process. The process involves a multiplicity of actors and agencies interacting over time, not just policymakers in the executive and legislative but also an intermediate layer of sectoral authorities in ministries.

Public policy scholars have conceptualized the process of policymaking in terms of consecutive, functional stages. While there are many versions of the stages model of policy, they generally include a sequence of problem identification and agenda setting, policy formulation, implementation, and evaluation, thus suggesting a policy cycle (Ripley, 1986). The earlier proponents of an interdisciplinary, problem-oriented policy science (beginning with Harold Lasswell in the 1950s) found such an approach valuable because it helps to:

> …disaggregate an otherwise seamless web of public policy transactions, as was too regularly depicted in political science. They proposed that each segment and transition were distinguished by differentiated actions and purposes. (De Leon, 1999, p. 24)

Utilizing a stages approach as a device to facilitate studying the complex policy process does not necessarily mean that these stages are to be understood as sharply differentiated or even wholly sequential. Rather, it should be seen as a tool to facilitate analysis while considering a variety of actors.

Although it has proven valuable in many settings, significant criticisms emerged regarding the consequences of improperly employing what Sabatier (1999) calls the *stages heuristic*. More generally, this approach has been criticized because it can imply linearity in the policy process, where "decisions are made in a series of sequential phases," and issues are approached rationally and considering all relevant information (Sutton, 1999). Thomas and Grindle (1990) found that a linear model of the policy process—which focuses on the initial agenda and decision phases to the detriment of carefully considering implementation—was implicit in many proposals for institutional reform in developing countries. Decisions and policymaking, however, do not end once major legislation is passed; policies can be shaped and even aborted at any stage. In particular, formulation and implementation stages cannot be sharply divided because policies evolve over time and are often reformulated (Mazmanian and Sabatier, 1983).

In reality, then, the process of policymaking is not a tidy, rational sequence of events. It is also not solely oriented towards problem solving (Sutton, 1999). Policymaking should be understood as a political process as much as a problem solving exercise, where politics and administration are closely intertwined. Outcomes are not just defined by decisions of national authorities but also by decisions of intermediate-level officials in ministries and subnational governments.

The conceptualization of the policy process as divided into stages is understood here as a valuable device that portrays real events systematically. It is an aide in making sense of a complex process that evolves over time but it does not constitute a causal framework for explaining its evolution (Sabatier, 1999). In this dissertation, the use of "agenda setting" or "implementation" will not imply that the policy process always follows a predetermined sequence of events but, rather, that distinct types of functional activities and products can be grouped together usefully and realistically, which thus justifies the concept of stages (De Leon, 1999).

Implementation as policymaking

Implementation can, therefore, be understood as a distinct stage of the policy process, and of a process of decentralization in particular. The study of policy implementation examines how laws are executed (Fessler and Kettl, 2005), while also emphasizing the organizational processes that deliver a program (Palumbo and Calista, 1990). Emerging from an interest in explaining why public programs often failed to meet their original goals, studies on implementation began to gain prominence in the 1970s in the United States. They focused on actual federal and state programs, and on the activities of bureaucrats in charge of them, rather than on characterizing particular agencies (Pressman and Wildavsky, 1974; Lipsky, 1980).

These studies found that it is difficult to assess policy success or failure based solely on stated goals, since legislative objectives are typically unclear, and the political

compromises that are often necessary during adoption may lead to contradictory or vague goals in the legislation. Thus, implementers are granted a degree of discretion in interpreting such ambiguous directives (Fessler and Kettl, 2005).

Moreover, where the traditional linear or stages model can suggest a dichotomy between policymaking and implementation, implementation studies have uncovered a dynamic, more chaotic and unpredictable process where different forces struggle to shape policies even after enabling legislation is approved. In the results of studies on implementation there is little support for the traditional dichotomy between politics and administration that goes back to Max Weber and Woodrow Wilson's normative views of the role of the bureaucracy (Hart and Rosenthal, 1998). Rather, there is a political nature of implementation, and implementers are in a position to modify programs.

Therefore, policy implementation is, in effect, a highly interactive and interdependent process that is often turbulent. Policy directives are interpreted and adapted by officials because programs must go through bureaucracies to reach their intended beneficiaries. Moreover, policy reform initiatives may be reversed or significantly modified at any point and any stage. As Thomas and Grindle (1990) point out, agenda and decision phases should not be the sole focus of attention when looking for causes of failures in reform because:

> …even after the decision to adopt a new policy is made, considerable evidence suggests that the real work of turning reform into reality is ahead. (Thomas and Grindle, 1990, p. 1165)

In other words, the outcome of reforms may be determined by the response of bureaucratic agencies and public officials to the changes that are initiated at the center. As there are many possible contexts, configured by distinct stakeholders and interests, for implementation, there are many possible outcomes of reforms.

Bureaucratic politics

One approach to understanding public policymaking that captures well the concept of implementers as policymakers is *bureaucratic politics*. While a focus on studying implementation processes and the impact of bureaucrats of different levels emerged due to discontent with the results of federal and other public programs in the United States, some political science studies examined the impact of bureaucratic agencies and their leaders on *national* policymaking processes. These gained prominence in the context of foreign policy analysis in the United States (notably, Allison, 1969), and they have highlighted the importance of inter-agency conflict and negotiation within the state as determinants of policy outputs. Thus, while the research lenses of implementation studies help us to explain the pivotal role of this stage of policymaking in determining eventual results, bureaucratic politics helps us understand what type of attitudes and decisions top bureaucrats would likely assume with respect to other public agencies, in a context of national policymaking processes.

The concept of *bureaucratic politics*, understood by Montgomery (1986) in the most basic terms as “efforts to influence the policies or behavior of other organizations,”

reflects a pluralist view of the political system, with conflict over interests involving rational actors and groups within government (Hart and Rosenthal, 1998; Clifford, 1990; Krasner, 1972). According to Hart and Rosenthal, bureaucratic politics "…may occur both within and across different levels of government and policy sectors and during every stage of the policymaking process."

Bureaucratic politics focuses on power relations, and it proposes a view of sectoral policymakers as political actors driven by calculated self-interest that is determined by the positions that they hold in a bureaucratic agency. Thus, bureaucrats are political actors who are often engaged in conflictual interaction with other agencies. Each agency's objectives are basically linked to survival and growth of the organization, that is, protecting or increasing such things as budget allocation, autonomy, morale and scope (Krasner, 1972).

Applying this perspective to the case of administrative decentralization, decision makers in ministries would be expected to try to maintain control over policy areas and resources if they have the choice not to decentralize. Indeed, policymakers would feel threatened by decentralization and exert their power to avoid fulfilling the mandate of forsaking discretion, resources.

Among indicators of a resistance to give up decision-making power, while nominally decentralizing, we would expect first a lack of effective policies or policies that consist of

unfunded mandates and mere formalization of existing arrangements in transfers to subnational governments. Also, we would expect to find decentralization not being integrated into long- or medium-term official organizational plans and programs.

Institutional factors and state reform

In any given government agency with authority and resources at stake at the central level, a bureaucratic politics perspective would reveal a scenario where transferring decision-making power willingly is highly improbable. However, we also know that there are significant differences between the ministries and sectors to be reformed. It is not entirely reasonable to expect the same response from all policymakers in this heterogeneous group of organizations. Thus, it is necessary to try a different approach to policymaking and political actors that can identify on the consequences of more specific challenges and opportunities for decentralization in each case, if they do indeed exist. The emergence of distinct paths to decentralization is suggested by the readily measurable heterogeneity of policy sectors that policymakers must deal with. These differences can be observed in terms of the characteristics of service delivery systems, stakeholders in reform, size of budget, and other factors that are illustrated in the Research Methods and Framework section in this chapter.

A renewed concern with the role of formal organizations in political life is one important aspect of the “new institutionalism” that emerged since the 1970s in disciplines including political science, economics and sociology. Distinct types of institutionalism have

appeared in these disciplines and, while having evolved in distinct directions, some generalizations can be made about the new institutionalism as an approach to political life (March and Olson, 1984).

Where a pluralistic, bureaucratic politics approach would reveal the actions of policymakers in public agencies as primarily motivated by the calculated self-interest of those in a position of power, in the new institutionalism:

> The bureaucratic agency, the legislative committee, and the appellate court are arenas for contending social forces, but they are also collections of standard operating procedures and structures that define and defend interests. (March and Olson, 1984, p.738)

Thus, institutions matter in the sense that they provide rules of behavior and norms that influence the selection of actions by political actors. At the same time, organizations can be understood as political actors in the institutional complexity of political systems.

Two distinct schools of institutionalism have developed in political science. Rational choice institutionalism focuses on the importance of institutions as features of strategic context, imposing constraints on self-interested behavior. Ultimately, however, individual political actors are rational maximizers whose preferences are formed outside institutions (Steinmo and Thelen, 1992); as in the pluralist outlook of bureaucratic politics, calculated self-interest of individuals is ultimately at the core (Weldes, 1998).

In historical institutionalism, on the other hand, institutions can be seen as playing a greater role in shaping politics and political history, and not just defining strategies of individual actors with pre-established preferences. In historical institutionalism, actors are seen as following rules set within institutions. In fact, this approach emerged in the 1960s and 1970s as an attempt to overcome the perceived limitations of such predominant approaches to theory building in the social sciences as structural-functionalism and pluralism. It has, nevertheless, not discarded some of these approaches' insights, such as of pluralism's consideration of power relations and struggle among groups.

According to Hall & Taylor (1996), institutions are defined by historical institutionalists as "formal or informal procedures, routines, norms and conventions embedded in the organizational structure of society." Historical institutionalism emphasizes processes; its analytical focus shifted away from individuals, groups and their functions in organizations and society to study institutions in a historical manner. The historical institutionalists have reclaimed the approach of an earlier tradition that considered institutions, political institutions in particular, to have a degree of autonomy and to affect outcomes as autonomous actors. In this sense, the state as an institution regained a central position in political analysis, and the political arena is emphasized as often evolving with relative independence from socioeconomic conditions.

An institutionalist perspective (and, more relevantly as an alternative to bureaucratic politics, a *historical institutionalist* perspective) on decentralization reforms would see recent sectoral policies as the result of particular institutional processes and rules and not just as an outcome of negotiations or conflict in a given conjuncture. In the context of this study, ministries are formal organizations that have distinct objectives and internal rules, evolve over time and follow certain observable paths that are not easy to modify. Therefore, the implementation of decentralization guidelines from higher levels of government clearly cannot be readily understood as an automatic, mechanical process; even if they are willing to comply with the spirit of a mandate for decentralization, individual decision-makers (sectoral authorities) have to adapt such guidelines to what is appropriate in the context in which they act.

Rapid change, then, does not seem the most likely outcome when ministries are seen as the institutional actors in charge of decentralization. Rather, progress towards the transfer of authority and resources would tend to occur in each ministry's own terms, and to the extent that each system can accommodate such changes. Such institutional considerations in the context of decentralization in Peru have been suggested by Tamborini's (2005) comparative analysis of the tourism sector in Peru and Chile, who indicates suggests that an institutionally weak central government agency appears less likely to allow the decentralization of power and autonomy to local authorities. Some indicators of progress in decentralization within institutional constraints would include the modification or

expansion of previously existing sectoral processes of dispersion of power, and decentralization-like processes integrated into long-term plans or programs.

The role of individual reformers

Sectoral decentralization policies can alternatively be explained on the basis of, first, the calculated self-interest of policymakers thinking in terms of agency survival or growth and, second, particular factors (rules, paths) within each institution, as discussed in previous sections. A third approach to understanding policymaking has sought to explain the origin of reforms in Latin America and focuses on the objectives of individual leaders who formulate policies with a technical, problem-solving perspective.

In explaining decentralizing reforms in three Latin American countries, Grindle (2000) sought to answer the question of why politicians at the higher levels of government would promote reforms that limit their power. She finds that neither rational choice nor institutionalist explanations appropriately account for the actions of politicians who behave as "audacious reformers" in these cases. Rather, reforms are best explained as:

> …the result of elite projects in which the elites were called together… to make recommendations about how best to respond to problems of governance (Grindle, 2000, p. 202).

In contrast to explanations that would be suggested by bureaucratic politics-type approaches or institutionalism for sectoral decentralization, a self-conscious, problem-solving motivation is what would put reform in the agenda of politicians in some cases. Thus, in a broader sense, personal beliefs, experience and perceptions can become crucial

elements in agenda setting, taking precedence over power politics, electoral calculations and pressure from interest groups, political parties or legislators.

Previously, this crucial importance of individual reformers and their ideas, strategies and preferences had been implicit in literature on institutional reform in Latin America, focusing more on the intermediate, bureaucratic level of government, as well as on subnational government. Several works have outlined the challenges faced by technocratic reformers seeking to solve important public sector problems in contemporary Latin America. Graham et al. (1999) and Nelson (1999), for example, illustrate the difficulties of reforming service delivery systems. They provide some guidelines for reform strategies in social sectors to consider institutional structure, political and economic context and interest group activity, in order to succeed.

This literature on institutional reform in Latin America and its determinants should, in turn, be understood in the context of the waves of unprecedented reform that have swept Latin America in the past three decades. Naím (1994) provides a characterization of the waves of market-oriented reforms in Latin American countries since the 1980's, drawing the distinction between Stage 1 and Stage 2 reforms, where Stage 1 consisted of "decree-driven, hard-to-decide but simple-to-execute macroeconomic shocks," aimed at stabilizing the economy. Meanwhile, Stage 2 consists of a more difficult period of "institutional creation and rehabilitation" in areas as diverse as tax collection, social security, delivery of social services, and many others.

Latin American technocrats and international financial institutions (IFI) like the World Bank have, especially since the 1990s, advocated institutional reforms in specific policy sectors (particularly education and health) as necessary in order to achieve a broad range of social development and poverty alleviation objectives. The ostensible aim of such reforms has been to overcome a diagnosis of inefficiency, inequity and poor quality of social services traced back to cumbersome, highly centralized bureaucratic institutions. There has been some success in implementing these reforms, yet it has proven an arduous task at times, not least because no easily applied blueprints or benchmarks exist for this type of institutional change and because of the challenges of dealing with political resistance (Nelson, 1999).

For cases of reform in Peru, Ortiz de Zevallos et al (1999) analyzed the factors that made feasible or frustrated reforms in education, health and the pension system during the 1990s. This study drew lessons from the difficulties faced by successful reforms in health and pensions and from the failure in decentralizing education. Moreover, the study focuses on the strategies and preferences of reform teams in each sector, and the general lesson for successful reform that the Ortiz de Zevallos et al. study draws is related to the need for consideration of political context by a politically neutral reform team, thus recognizing the importance of both technical and political criteria.

An individual, or audacious, reformer perspective on administrative decentralization would examine sectoral policies in terms of the strategies of pro-decentralization reformers and how they fared in the face of expected resistance. Audacious reformers are individuals that are driven by technical, reform-oriented criteria, rather than calculated self-interest, organizational paths or pressure within an institution. Moreover, policies would involve ceding power where normally rational political actors would not be expected to do so. Such reform leaders must deal with the complexity of changing institutions and must formulate strategies to overcome resistance to reform; they must often look for slow, gradual success (Nelson, 1999). In addition to concrete transfers of authority and resources, indicators of an audacious reform unfolding as a response to a broader decentralization mandate would include changes in existing sectoral decentralization-related strategies introduced after 2002, and the identification of an active pro-decentralization reform leader or team.

Research questions and hypotheses

Two closely linked research questions emerge from the literature review and preliminary research on the Peruvian case. After providing evidence of implementers in Peruvian ministries having a leading role in defining administrative decentralization—as the North American implementation literature would have predicted—this study further assesses the relevance of such implementation literature and begins to explain the dynamics of the implementation of decentralization:

1) *Why were Peruvian ministries, rather than other national and subnational stakeholders, able to become the predominant actors shaping the implementation of administrative decentralization between 2003 and 2006?*

Thereafter, the study focuses on describing and explaining the variation observed in these ministries' sectoral policies, which ultimately casts doubt on a bureaucratic politics-type approach to the motivations of implementers. Having demonstrated and explained the decisive role of ministries, the dissertation employs different conceptual lenses to analyze a selection of ministry cases and to explain what factors shape their policies:

2a) Are the challenges to a more significant administrative decentralization uniquely the result of expected political resistance to reform at the ministry level (as the bureaucratic politics literature would suggest)?

2b) And do other explanations of policy outcomes provide a more robust understanding of the dynamics of reform and the variation among sectoral policies, including institutional factors and individual reformers?

In terms of these research questions, the hypotheses put forward by this study were:

H1: After high-level elected officials in the Executive and Legislative branches of government defined the broad guidelines for state decentralization, they had few incentives and lacked the know-how to become involved in defining the details of sectoral implementation or supervising the process. Ministries and other

bureaucratic agencies (rather than politically weaker stakeholders) were able to assume a leading role in shaping administrative transfers.

H2: Although ministries are perceived as having resisted the implementation of administrative decentralization, their reform policies were only partially determined by self-interested resistance to change, which itself has distinct manifestations. Distinct institutional characteristics and the actions of individual reformers also shaped policies decisively.

Thus, it is expected that variation in decentralization policies will depend on several factors. By focusing on ministries' sectoral policies, we are able to compare a range of policy outcomes and analyze them in terms of three alternative explanatory approaches. Therefore, in order to answer these research questions and test these hypotheses, a comparative analysis of decentralization policies across policy areas is carried out, systematically viewing policies through alternative theoretical lenses.

Specifically, Peruvian national ministries are the public agencies in charge of formulating these policies, and therefore the policies produced by these ministries in 2003-2006 are the main objects of analysis. As will be shown, even though there has been little or no substantial transfer of decision-making power to subnational governments, there is a variation in sectoral approaches to decentralization that needs to be explained.

In addition to providing a comparative analysis of ministerial policies during implementation, this dissertation provides a case study of the broader policy process of state decentralization in Peru, from agenda setting and formulation (Chapter 3) to implementation. As such, it assesses the causal processes behind the observed shape of reforms on the basis of competing explanations outlined in the decentralization and implementation literatures.

By answering the study's research questions, this dissertation it will illustrate why, and how, decentralization policymaking unfolds differently in each ministry, despite some overall similarities in the relative lack of significant progress. Thus, this study explains variation in sectoral decentralization policies, as ministries formulate them, and these policies are the dissertation's main object of analysis. For our purposes, *decentralization policies* for each policy sector consist of ministry activities ostensibly aimed at the goal of transferring decision-making power to subnational authorities—whether they are officially announced or not—in light of the mandate for administrative decentralization since late 2002. This includes the formal transfers that were initiated or concluded in 2003-2006, the annual and multi-annual transfer plans that were made public during 2003-2006, activities and projects related to decentralization (in all its modes) that are outlined in broader strategic and operational plans for each ministry for this same period, and other activities initiated by ministries that were related to the decentralization process but are not formally announced, including meetings with subnational authorities,

capacity-building campaigns, actions and statements of top policymakers, and other instances of planning or consensus-building towards decentralization.

The general expectation, on the basis of initial findings and the literature review, was that sectoral policymakers—having significant discretion in determining the timing and depth of decentralization—would generally resist any pressure for substantial changes to their authority over public functions and resources. This would be achieved principally by delaying reforms, by formulating sectoral policies that only involve the formalization of existing arrangements or by transferring responsibilities without transferring the necessary resources for assuming them effectively. This type of resistance is generally what would be predicted by an approach that assumes that bureaucratic policymakers are political actors motivated by calculated self-interest. However, the heterogeneity of policy sectors and of the processes previously underway in the ministries in charge of them—together with evidence of the impact of reform-oriented individuals in other contexts throughout Latin America—justified an additional expectation of finding sectoral policies that deviate from a prevalent outcome of no substantial delegation of power (either effectively or underway).

Research methods

The data collection for this examination of the process of state decentralization and, more specifically, of sectoral policies is fundamentally based on key-informant interviews and the analysis of secondary-source documents. Interviewees include stakeholders and

experts in three distinct groups: officials in central government and ministries, officials in subnational governments (administrative decentralization's intended beneficiaries), and experts and stakeholders in civil society—including research centers, NGOs and academia. Through interviews with actors with distinct and often opposing interests, a more coherent description of the nature and impact of sectoral approaches to decentralization has been achieved than would have been possible only approaching those directly involved in policymaking.

Focusing on administrative decentralization policies requires examining both the overall results of the decentralization process and the actions of each ministry in a heterogeneous set. Moreover, the objective of identifying the determinants of such policies requires attention on the policy process within each ministry rather than on concrete policy outputs that may be readily quantifiable. Because of this focus on the actors and motivations involved in various policy processes that ostensibly aim at the same objective—and in order to understand how they can determine different paths to decentralization—this study utilizes qualitative research that seeks to learn about similarities and differences between sectoral policymaking units. In a nutshell, an emphasis on qualitative research and analysis is justified by the focus on process—which requires employing subjective information—rather than outputs, by the expected complexity of studying different sectors at once and by the need for flexibility in exploring different explanatory approaches that are not well established for this area of study.

Having achieved a coherent description of sectoral policies, different theoretical lenses, suggested by the literature review, will be employed in the chapters that examine the cases of individual ministries (Chapters 4, 5 and 6), and each alternative approach emphasizes distinct explanatory factors. First, bureaucratic politics suggests looking for calculated self-interest as primary motivation behind policies across all sectors, where policymakers make decisions in terms of their position at a government agency while aiming at protecting or increasing their authority and resources. An institutionalist perspective, for its part, suggests looking at ministries and policy sectors as distinct organizational actors that evolve over time along particular paths. Finally, a focus on policymakers as potential reformers leads us to view policies as the result of purposeful efforts to resolve sectoral problems or improve performance.

The data on the overall policy process and on the processes within ministries was collected through key-informant interviews and the analysis of secondary source documentation regarding sectoral decentralization and broader aspects of reforms. This latter category has included budget data from the Ministry of Finance, public and internal official documentation on transfers from ministries and the decentralization agency (CND), and (more clearly constituting secondary sources of information) general reports by CND and ministries, official sectoral and ministerial strategies and plans, and reports on decentralization by civil society watchdog organizations (particularly the *Participa Peru* group) and international agencies.

Key-informant interviews were semi-structured interviews of persons that have been directly involved in, or have witnessed first-hand, policymaking related to decentralization in ministries and other central government agencies—such sources of information are cited throughout (a list of interviewees is provided in Appendix 1). To complement these perspectives, officials have also been interviewed in selected subnational governments, in order to see how the administrative decentralization process has affected them and what degree of influence, if any, such policymakers can have in the process. Some additional interviews were carried out with civil society and academic experts on decentralization in Peru that could provide additional insights on the overall process and on specific sectoral issues.

Semi-structured interviews were chosen as a principal methodology, rather than more structured questionnaires with detailed questions, in order to allow for additional questions and topics (often difficult to anticipate) to be discussed that may be of particular relevance in only one or a few ministries or sectors. While a standard questionnaire was maintained as a framework for reference (with some modifications given different types of interviewees) a significant number of questions emerged during the interview, allowing the flexibility to probe for additional details or to discuss unforeseen yet relevant issues. Such a format provides the opportunity for learning, as it can allow the researcher the freedom to probe deeper into unexpected answers, based on

the context for the interview, or, in the case of answers that may be relatively predictable, to get closer to the reasons or motivations for such answers.

Thirty-five key informant interviews were carried out and subsequently analyzed by the author in Peru in the period between June 2004 and August 2006, including central government and ministry officials, subnational government officials, and experts from academia, research centers and the NGO sector (see Appendix 1). As mentioned, the goal was not only to evaluate the administrative decentralization process on the basis of a top-down perspective but also to incorporate the perspective of stakeholders in subnational governments and civil society, as well as knowledgeable independent observers. Some of the interviews also sought to shed light on the earlier part of the decentralization policy process, which set the general rules of the game for implementation.

Indeed, in this research, interviewing through semi-structured questionnaires has helped to gain insight into processes within ministries and other agencies that were not well known or discussed publicly. Gaining access to officials in ministries was not easy, and it has thus been important to have enough flexibility to take advantage of opportunities to speak to individuals willing to discuss what have sometimes been regarded as sensitive issues.

Case selection. The legal framework established that the formal transfers to regional and local governments up to 2006 would include competences within the authority of twelve

ministries, nine of which are ministries that should delegate policymaking authority in their fundamental areas of decision-making (see Table 2-A). Of the twelve ministries listed in annual transfer plans, there are three cases that are not considered by this study. In two ministries, the mandate of administrative decentralization does not apply to their main areas of policymaking, and thus there is no reason to expect coherent sectoral decentralization policies but, rather, only specific plans for transferring out individual projects or offices.

In the cases of Ministerio de Economía y Finanzas (MEF, whose key administrative, regulatory, budgeting and planning competences are not subject to deconcentration or delegation) and the Presidency of the Council of Ministers (PCM, basically, an inter-ministerial coordination entity led by the head of the Cabinet), the transfers included in annual plans are of areas that are only marginally related to their primary policy responsibilities. These include the regional administration of public lands, in the first case, and disaster prevention, humanitarian assistance and some functions for defining territorial delimitation and some environmental standards, in the second case. A third ministry, *Ministerio de la Mujer y Desarrollo Humano* (MIMDES), was, during the Toledo administration, basically a loose conglomeration of well-established social programs like the social fund FONCODES and the food assistance program PRONAA. The nature of the transfer of these individual programs was defined and elaborated at the central level, so this is a case where the discretion of sectoral policymakers is quite restricted; moreover, in dealing with transfers to subnational governments there was very

limited or no coordination between the programs making up this ministry,[4] so that it is difficult even to depict this as a single, coherent policymaking agency in the field of decentralization.

Table 2-A
Ministries under administrative decentralization (2002-2006) considered for this study

Ministry and official acronym	Key policy sectors	Type of ministry activities
Production (PRODUCE)	Industry, Fishing	Promotional and regulatory
Commerce and Tourism (MINCETUR)	Foreign trade, Domestic trade, Tourism, Artisan industries	Promotional and regulatory
Energy and Mines (MEM)	Energy, Mining	Promotional and regulatory / Infrastructure
Labor and Employment Promotion (MINTRA)	Labor, Employment programs	Promotional and regulatory / social
Housing, Construction, and Sanitation (VIVIENDA)	Housing, Construction and Sanitation	Infrastructure
Agriculture (MINAG)	Agriculture	Infrastructure
Transportation and Communications (MTC)	Transportation, Communications	Infrastructure
Health (MINSA)	Health	Social
Education (MINEDU)	Education, Culture, Sports	Social

Additionally, interviews of subnational actors sought to verify the general perception in media and among independent observers that administrative decentralization has done

[4] Eduardo Sáenz interview, 2006.

little in terms of transferring what is in the center to the periphery. These were completed in 2006 in the context of two quite different subnational governments: the regional government of Lambayeque and the district-level municipal government of Independencia. These two governments, in particular, have been well known for outstanding performance in Peru and were selected precisely because of that reason: they were clearly eager to assume new responsibilities and receive new resources, while in other cases it was possible that local authorities were not interested in the decentralization process.

Lambayeque was the only regional government to be accredited for 100% of administrative transfers slated for 2003-2006 and was consistently at the top of good government rankings by the Public Ombudsman's office, as well as being highly regarded by private sector actors for its openness to dialogue and public-private collaboration. Its president, Yehude Simon, is well known as a pro-decentralization figure with influence on the national political stage. The district of Independencia, on the other hand, received awards in 2005 and 2006 from the Lima NGO *Ciudadanos al Día* for innovative government practices, and its recycling and other programs have been the object of many fact finding visits by fellow subnational actors.

This chapter thus concludes with the description of the dissertation's methodological framework, which seeks to address the study's key research questions in the most

pertinent manner. These research questions and their corresponding hypotheses have, in turn, emerged from a literature review section that explored bodies of work in a number of fields. The variables and key issues discussed in these bodies of work have been articulated to provide a conceptual framework for analyzing the case of administrative decentralization in Peru.

Chapter 3 - The road to decentralization and the outset of reforms

This chapter offers an analysis of the broad historical context and trends that paved the way for decentralization in 21st century Peru. It seeks to uncover long-term forces that ultimately had a significant impact on the administrative decentralization reforms begun in 2003, and it also analyzes the more recent political factors that immediately shaped the beginning of decentralization and the framework for sectoral administrative reforms. Thus, it examines the initiation of Peruvian decentralization as a policymaking and political process—looking at the agenda setting and formulation stages in 2001-2002 as well as longer-term factors like the impact of previous, unsuccessful reform efforts that shaped the options available for the current reform model. It first describes the broader national context for reforms and, then, reviews progress so far towards political, fiscal and administrative decentralization.

The discussion subsequently focuses on relevant political trends and reforms—since the 1978-1980 democratic transition—that have influenced the current decentralization model, leading to an analysis of the determinants of the agenda setting and policy formulation stages of the decentralization policy process.

The Peruvian context

In terms of territory, Peru is the largest unitary republic in the Western Hemisphere. It also has the fourth largest territory and fifth largest population in Latin America, and has three distinct geographical regions of contrasting climate, terrain and economy: a narrow

desert plain in the western Pacific coast (*costa*) that is home the capital, Lima; the Andes highlands in the center (*sierra*); and the sparsely populated Amazon jungle in the east (*selva*). The country's estimated 2006 population of over 28 million has increasingly concentrated in the coastal region, particularly in the capital of Lima, which is home to nearly a third of the country's inhabitants.

The mostly urban coast concentrates a disproportionate amount of the nation's wealth, industry and services. Besides being the population center, Lima has also concentrated political and economic power; it accounts for about one half of Peru's GDP (Consejo Nacional de Descentralizacion, 2006b). Meanwhile, about one half of Peruvians live under the poverty line and, while the greatest concentration of the poor (in absolute terms) occurs in the capital, extreme poverty is far more prevalent in relative terms in the Andean highlands and in rural areas in general. Indicators of education, health and nutrition underscore Peru's relatively low human development, disproportionate to its status as a middle-income country. Moreover, economic stability since the early 1990s and sustained economic growth in this decade have not translated into significantly improved living conditions for the majority of Peruvians. During this period, poverty indices have barely decreased in rural areas, where over 60% of the population is still poor.

Table 3-A
Geographic dimension of poverty in Peru, 2007
(% of population under poverty line)

	Urban (all regions)	Rural (all regions)	Costa	Sierra	Selva
% poor	25.7	64.6	22.6	60.1	48.4

Source: INEI –Encuesta Nacional de Hogares Anual (2004 -2007)

Peru is a unitary, constitutional republic that, under the current 1993 Constitution, has a presidential political system in which general elections are held every five years. The national government has a constitutionally strong executive branch, a unicameral, multiple-district congress and a formally independent judiciary.

Even in recent decades, however, democratic have been constantly disrupted and tampered with. During the 1970s Peru was under military rule, which was initially imposed by left-leaning, nationalistic Gen. Juan Alvarado in 1968. By the time free elections were brought back in 1980, the population confronted serious problems that were not present in the late 1960's: sharp economic crisis characterized by rising inflation, on one hand, and the threat of a fanatical Maoist guerrilla group, the Shining Path. Political, social and economic conditions worsened progressively during the two democratic administrations of the 1980s—those of Fernando Belaúnde and Alan García-. By 1990, there was an unprecedented economic instability and a virtual collapse of state institutions and public services, as insurgents dominated large rural areas and threatened the capital. In that year, political outsider Alberto Fujimori was elected president. He was effective in defeating inflation and the Shining Path within a few years, but this was done with an iron fist; he staged a self-coup in 1992 and widely questioned elections in 1995

and 2000, and eventually co-opted most major news and entertainment media. He fled Peru in late 2000 after major corruption was unveiled.

With an improved economy but with political institutions lacking legitimacy after a decade of authoritarian rule, a new democratic transition took place beginning with a provisional government, and culminated with the election of Alejandro Toledo in 2001. Under Toledo, a widely expected decentralization process began in late 2002. Indeed, decentralization was again high on the public agenda after 2000, not least because of the virtual disappearance of the Shining Path threat, which had virtually paralyzed normal political activities during the 1980s and 1990s, especially in the rural highlands and the jungle.

Since the election of regional governments in 2002, there are three levels of directly elected, formally autonomous subnational government: at the regional level and at the municipal level in provinces and, below them, districts. These municipal and regional authorities are democratically elected for four-year periods, with the possibility of reelection. Thus, there are four tiers of elected government, which give Peru one of the most complex governance systems in Latin America: the country's former 24 departments and one constitutional province (Callao) are now referred to as regions, which are, in turn, composed of a total of 194 provinces (except Callao), themselves broken into 1828 districts. In each of the last two elections (2002 and 2006), voters decided on a total of over 12,000 elected offices at the regional, province and district

levels (ONPE, 2003). Lima itself has a special status, as its metropolitan government is technically a municipal government that also has the rank and general attributions of a regional government.

Table 3-B
Levels of elected government in Peru

Before 2002	2002-2008
Central	Central
-	Regional (25, in former departments)
Province (194)	Province (194)
District (1828)	District (1828)

Subnational governments in Peru are quite heterogeneous in terms of capacities, available resources and needs, and this is particularly true in the case of municipal governments. Indeed, many activists feel that current legislation that affects the decentralization process does not adequately address the distinct needs of different types of municipalities, especially small, poor and rural ones.[5] Torero and Valdivia (2002) studied, characterized and classified into groups the majority of Peruvian municipalities, in terms of social indicators and infrastructure needs, and of municipal financial and management capacities. Their analysis classified 1567 district-level municipal governments into six distinct groups, yet 830 (53%) of these local governments fit into the most problematic "high poverty, small scale, and low management capacity" group VI category. In the case of province-level governments, the situation is similar: 106 (57%) of 187 municipalities fall into the same group VI category. Given this challenging reality of Peruvian

[5] Rodolfo Alva interview, 2005.

municipalities, the authors recommended that any decentralization process should be based on pilot programs rather than global rules for all governments, and that decentralization be understood as a gradual process that could not move at the same speed in all regions (Torero and Valdivia, 2002).

Progress towards decentralized governance

The Peruvian state has always been quite centralized and until the 1960s was relatively small compared to the current one. The military regime of 1968-1980 greatly expanded state activity and participation in the economy and, while its role in the economy has decreased significantly after structural reforms in the 1990s, the public sector has not shrunk back to the minimalist state of the early 1960s; central government employees deceased in the 1990's but this was nearly made up by an increase in the payrolls of deconcentrated regional instances. Decision-making has remained highly centralized through the subsequent democratic and authoritarian regimes. According to the independent watchdog organization *Participa Peru*, central government still accounted for 90% of public revenues and 80% of expenditures in 2004.

Since independence in 1821, some of the nation's most notable and influential politicians and intellectuals, including the socialist thinker Mariátegui, the founder of the populist, reform-oriented APRA party Haya de la Torre and the more conservative historian Basadre, have identified centralism as a key to understanding the country's problems. Peruvians have long seen state decentralization as a major step towards providing better

development opportunities to the country's impoverished interior. In fact, many decentralization processes were offered by politicians in the 19th and 20th centuries, and even became constitutional mandates, but were never fully carried through (Dammert, 2003; Planas, 1998; Zas Friz, 2004). More details on previous decentralization efforts are presented in the following sections of this chapter.

Since 2002, however, decentralization is constitutionally defined as a permanent and obligatory policy of the Peruvian state and some unprecedented steps have been taken in this direction: administrative, fiscal and political decentralization are being implemented concurrently. While the current framework for reform does not contemplate outright devolution of government, since it maintains the design and supervision of national sectoral policies in central government, it does indicate that subnational governments are to become the principal agents of development in the regional and local spheres, engaging private and civil society actors. Indeed, political decentralization has already set the stage for moving towards more autonomous decision-making and accountability to subnational development that was not possible in deconcentrated instances. Nevertheless, in order to fulfill their new roles, subnational governments still need the authority and the resources to formulate and implement policies in fields that have so far been the exclusive domain of central government, in fields ranging from education and health to tourism and transportation.

Political decentralization. Although most of Peru's twelve constitutions since independence, including the first one, have mentioned decentralization as state policy in one way or another, central authorities have generally failed to carry out these constitutional mandates (Dammert, 2003). Still, there have been some important advances towards changing the territorial distribution of power in Peru in recent decades. Progress in political decentralization began in the 1960s, when the first nationwide elections for local governments (in provinces and districts) were held under President Fernando Belaúnde. In 1980, after twelve years of military rule and as economic instability and social unrest were on the rise, democracy returned. Belaúnde was again elected, this time by a significantly expanded electorate that had previously excluded illiterates and those under 23 years of age (Revesz, 1996). Local democratic elections were reinstated and they have continued ever since, even under the authoritarian Fujimori regime (1990-2000) that systematically weakened provincial municipalities (Dickovick, 2003; Tanaka, 2004).

Thus, the political decentralization process has continued through starts and stops in the last quarter century, with local electoral competition flourishing in hundreds of provinces and districts. Indeed, this uninterrupted election of local governments constitutes the most significant continuity in decentralization in recent Peruvian history. Regional governments, on the other hand, were directly elected throughout the country for the first time in 2002, at the outset of current reforms, and new elections were held in late 2006. In January 2003, the new autonomous regional governments were inaugurated and they

formally received all assets and liabilities of the previous transitional CTAR deconcentrated regional authorities.

There now appear to be unique political dynamics emerging in regional electoral competition, often independently of national processes and actors (Meléndez, 2006). At this intermediate level of government, the most important precedent for the current reforms was the regionalization process of 1989-1992, started in the first administration of President Alan Garcia. In a context of unprecedented economic, social and political crisis (Pastor and Wise, 1992; Graham, 1990), twelve regions were designed in a top-down fashion and their executive branches were elected via regional legislative assemblies. Regional voters only elected one-third of assembly members. President Alberto Fujimori dissolved the elected regional governments in the context of his April 1992 self-coup, after which these became deconcentrated administrative entities, first at the new regional level and then at the department level.

Within the current framework for reform, political decentralization at the regional level on the basis of departments was initially meant to be a transitional phase in the formation of larger, truly regional subnational governments, similar in scope to those that were imposed from above in the late 1980s (CND, 2006b). This evolution was initially conceived as a key condition for fiscal and administrative reforms to begin, although there were some contradictions in the legal framework in this regard. However, the first round of national referenda for approving five of the *macro-regiones* in 16 departments

was held in late 2005 and results were spectacularly unsuccessful: all multi-department proposals were defeated, and a "Yes" vote only prevailed in one department (Arequipa). This was generally understood as a general public refutation of Toledo's decentralization process, near the end of his administration. Several factors contributed to this outcome, including the lack of an effective information strategy by the decentralization authority (CND) and the Ministry of Finance's reluctance in 2005 to make available the expected fiscal incentives for the conformation of larger regions—which involved being granted substantially greater fiscal autonomy and a number of tax incentives, in effect the start of real fiscal decentral[6]ization.

In addition to electing their local and regional representatives, Peruvian citizens are gradually becoming able to participate in subnational decision-making as participative budgets become mandatory at all subnational levels (regional, province and district) and as similar processes are implemented for the formulation of subnational development plans and other purposes. The decentralization framework institutionalizes civil society participation in subnational policymaking, as it establishes coordinative civil-society assemblies in both regional and local government. For example, each regional government has an executive branch composed by a president and vice president, an elected legislative body (*Consejo Regional*) whose representatives are elected by popular vote, and a consultative body called the *Consejo de Coordinación Regional* (CCR) that has a say in planning and budgeting and that includes representatives from civil society

[6] Luis Thais interview, 2006.

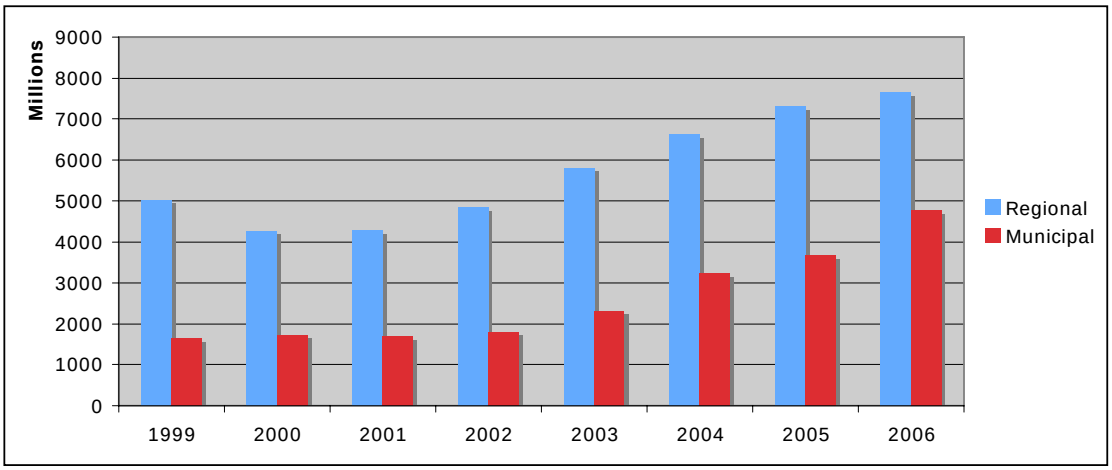
organizations and from municipalities within the region. Under the presidency are four *gerencias regionales*, which function as regional ministries devoted to social development, economic development, natural resources and the environment, and planning and budgeting, respectively.

Fiscal decentralization. Peru traditionally has had a highly centralized system of intergovernmental finances, yet in recent years the expenditures of subnational governments have increased in absolute terms (see figure 3-A) and as percentages of total expenditures. Expenditures by subnational governments accounted for over 27% of public sector expenditures in 2005 (Vega Castro, 2006). However, this growth is not a result of policies successfully implemented at the subnational level nor is it necessarily an indicator of increased fiscal autonomy: these governments cannot create new taxes or modify existing ones without approval from central government and congress, and their borrowing capacity is tightly regulated at the central level (Ahmad and Garcia-Escribano, 2006; CND, 2006b). Moreover, while municipal governments can count on a substantial amount of local revenues—around 43% of expenditures in 2005—regional governments still do not have, nor do they have the power to create, any significant sources of revenue at their level of government.

Two factors explain an enlargement of subnational budgets that is not closely linked to increased decision-making power. First, a large proportion of the annual budget of regional governments consists of significant funds that are earmarked for salaries and

pensions of public employees who actually belong to sectors that have not been devolved yet, like health and education. Thus, these payrolls appear as part of regional budgets of autonomous regional governments only because that is where payments are formally made, rather than policy decisions. In the impoverished Andean region of Apurímac, for instance, 160 million soles, of a total of 178 million spent on salaries and worker benefits, in the 2006 budget were for the health and education sectors (Ministerio de Economía y Finanzas, 2007). Similarly, in the case of municipalities, entire social programs like the social fund FONCODES have been accounted for as part of local expenditures since 2003, even though transfer only effectively began in 2005 and then only a fraction of the country's municipalities had been accredited for assuming new responsibilities.

Figure 3-A: Transfers from central government to subnational governments, 1999-2006
(Constant 1999 soles)



Data Sources: Ministerio de Economía y Finanzas, 2007; Banco Central de Reserva del Perú, 2008.

Second, both regional and, especially, municipal governments receive financial transfers from various sources of shared revenues that are not closely related to the

decentralization process, and the value of these transfers has shot up in a context of economic growth and rising prices for Peru's primary export goods since around 2001. These include, among others, income tax collected from firms extracting natural resources within local or regional jurisdictions (canon), mining royalties, and a municipal fund (FONCOMUN) that was created in the 1990s and draws from collected value added and personal income taxes. Central government establishes rules on the acceptable uses of these funds, and they must generally be oriented towards investment projects. In some poorer areas, these transfers from central government account for over 85% of local municipal budgets (Rabanal and Melgarejo, 2006).

Thus, subnational governments continue to be highly dependent on transfers from central government and on conditions for their use that come from the capital. The more significant sources, moreover, do not provide sustainable levels of funding as they depend on international commodity prices—which can fluctuate substantially—or national economic growth rather than subnational factors. According to the Ministry of Energy and Mining, mining provides over 50% of Peruvian exports. In addition, the recent surge in financial resources for subnational governments was not preceded or accompanied by extensive capacity building in the policy areas for which new resources could be used (mainly, public infrastructure projects). Because there is often a lack of technical capacity of subnational governments for formulating and implementing such projects, especially within a short time after funds are made available, that could be approved by national investment standards, large amounts of these transfers have in fact

reverted to central government in recent years, and placed in funds for possible future use. In 2005, over one fourth of funds budgeted for regional government investments were not executed (Grupo Propuesta Ciudadana, 2006).

According to the Constitution, decentralization is supposed to give subnational governments a leading role in sustainable regional and local development yet, despite apparently impressive changes, fiscal trends up to 2006 were not supporting this so far. New sources of funding appear to be empowering subnational authorities in the short-term and within a limited scope of action in subnational infrastructure investment (tightly controlled by MEF, the Finance Ministry), not in the most important, permanent areas of public policy. Finally, there is some uncertainty as to the future of fiscal decentralization: the formation of larger regions was supposed to be the key condition for broader fiscal autonomy, but when the time came to make those incentives effective prior to regional referenda, MEF did not make them available.

Administrative decentralization. Even before the 1980s, several Peruvian ministries, including education, health, transportation and agriculture, among others, had started to deconcentrate functions and resources to field offices, mostly at the department (now regional) level, which are known as the ministries' *direcciones regionales*. In contrast, there is less experience with deconcentration from the center to local level offices. It should be noted that a number of functions were rapidly delegated to formally autonomous regional governments during 1989-1992, but the new responsibilities were

not clearly defined and did not come hand in hand with new resources; these regional governments did not survive long enough to effectively receive or exercise their new policymaking powers.

In the 1990s, the transitional regional administrations (CTAR) established by Fujimori in each department came to group together the *direcciones regionales* of various ministries, and CTAR's in turn were grouped under the *Ministerio de la Presidencia* (MIPRES), a unique, multi-purpose institution that the president kept under tight control and that grew substantially in the 1990s (Mauceri, 1997). Thus, these deconcentrated instances of ministries were directly accountable to their respective line ministry but were also part of MIPRES, which was a very politically sensitive agency. Currently, within the ongoing decentralization process, *direcciones regionales* are technically accountable to ministries—which remain responsible for national policies—*and* to the managerial units of regional governments, to whom various sectoral functions are to be delegated along with specific projects and programs. This situation of "double dependency" has caused significant confusion and some tension, as has been evident in interviews in ministries and in regional government.[7] However, these are not the only type of deconcentrated ministerial office that existed at the subnational level when the current process began; health and education, for example, each have their own complex system of service delivery with local and regional level instances that administrate school districts and local

[7] Interviews with senior Lambayeque regional government officials Eduardo Sáenz and Miguel González, 2006.

health centers, sometimes with significant participation of civil society actors but not necessarily with the participation of subnational governments.

Administrative decentralization has been officially underway since January 2003, even though at first the legal framework did not contemplate starting the process until political decentralization was consolidated in the form of new, larger regional units. At the outset of the current decentralization process, technocrats working closely with Congress came up with a list of 185 central government competences, functions, social programs and projects (out of an unspecified total, since no extensive mapping out of central government functions has been carried out) in the hands of twelve ministries that were slated for transfer to regional governments. This constitutes a rather heterogeneous set of transfers; many involve control over specific projects or infrastructure (such as large irrigation projects in the northern coast) rather than authority over permanent areas of policy (such as responsibility for promoting tourism within a region), while others involve control over social programs that had not been under the policymaking authority of a specific ministry. The latter is the case of the social fund FONCODES and the food assistance program PRONAA, which were closely controlled by the presidency during the 1990s. Altogether, nine ministries were programmed for decentralization of some of their basic sectoral policymaking functions: Agriculture; International Trade and Tourism; Education; Energy and Mines; Production; Health; Labor; Transportation and Communications; and Housing, Sanitation and Construction.

Three annual sectoral transfer plans (2003, 2004, and 2005) that included both (1) redistributing sectoral functions of ministries, on one hand, and (2) funds, transferring specific programs and projects, on the other, were executed during the Toledo administration, with the 2006 plan being mostly implemented after the end of this period. For its part, the 2003 plan exclusively concentrated on funds, projects and programs—although some of these were under the effective control of particular ministries—while the next three annual plans included both types of transfers. The content of annual and longer-term plans is based on the proposals of ministries—technically, subnational governments can request specific functions or competences but there is no mechanism to ensure that these are taken into consideration—and is approved by the agency in charge of decentralization since 2002, Consejo Nacional de Descentralización (CND). In practice, municipal governments were largely excluded from the transfer of sectoral functions and competences in 2003-2006, but did receive some control over projects of social programs formerly under MIPRES and over rural roads maintenance and supervision programs (CND, 2006).

All subnational instances to benefit from these transfers must be accredited by CND as fit to assume new responsibilities in each sector for which competences and functions are to be delegated. While there are no existing mechanisms for ensuring subnational accountability after transfers are made, CND did establish general requirements (in terms of human resources, technical capacities, equipment and physical infrastructure) for subnational governments to be certified as ready to assume new sectoral authorities. At

the same time, each sector's ministry also determines specific requirements by policy area, which include setting minimum standards in human resources, material resources and legal instrumentation that subnational governments must accredit. About 122 of these competences and functions (66% of what had been programmed) were formally transferred by 2006, although the annual transfer plans since 2004 were executed with significant delays (CND, 2006b). At the same time, not all subnational governments have actually received these new authorities, as not all have been accredited for every relevant transfers; in fact, only one of 25 regional governments (Lambayeque) was accredited for 100% of transfers scheduled in the 2004 and 2005 annual plans. Still, all regions (except Metropolitan Lima, whose "mixed" status has been problematic) have been accredited for the majority of transfers (CND, 2006b).

As will be further explained in following chapters, much of what is actually transferred only amounts to formalities on paper. According to official CND documents, until May 2006 the transfer process had provided subnational governments with a substantial amount of over 13,000 million soles (3.2 soles were equivalent to one U.S. dollar in 2006) in assets formerly controlled at the central level and almost 900 million soles in additional annual budget resources related to these. However, this is all related to the transfer of specific funds, projects and programs that benefit subnational governments rather inequitably, and they were mostly selected centrally at the outset of reform rather than by sectoral policymakers. Most importantly, there is no report of financial resources being given up by ministerial budgets in favor of subnational governments as a result of

the transfer of sectoral functions, even though these are clearly at the heart of the constitutional objective of empowering all subnational governments as agents of regional and local development through increased decision-making autonomy. In addition, the most valuable of the projects transferred until 2006 have benefited only selected regional governments: of 13,384 million soles in physical assets received, 13,168 million (98%) correspond to large irrigation projects in only nine coastal regions (CND, 2006b).

Authority over projects and local activities of a number of social programs like the social fund FONCODES, which involve thousands of local social and productive infrastructure projects and were centrally controlled through MIPRES during the Fujimori years, began to be transferred to municipal governments between 2003 and 2005; this process is moving ahead but is still at a relatively early stage, and it is subject to verification mechanisms (accreditation requirements similar to those of regular sectoral transfers). On the other hand, transfers of some of the important infrastructure projects beginning in 2003 have been made effective and some have already allowed regional governments to have a visible positive impact on regional development: for example, the large irrigation project Olmos-Tinajones that had been unconcluded for decades was finished when the regional government of Lambayeque assumed control and involved the private sector through project concession.[8] Many regional governments have also received a substantial amount of physical assets, including buildings and machinery that were previously held

[8] Yehude Simon interview, 2006.

by ministries' deconcentrated regional offices, including those related to agriculture and transportation.

The road to reform, 1980-1990

Overview. In Peru, a long history of demands for decentralization has been generally answered by unfulfilled promises and aborted reforms (Azpur, 2005; Zas Friz, 2001; Planas, 1998). Nevertheless, although sustained progress in decentralizing the state had not been achieved before the current decade, the changes now underway were clearly not designed on a blank slate; nor were the motivations of relevant decision-makers purely of a technical nature. As this section will illustrate, the advances and setbacks of decentralization in its different dimensions since the 1980s, together with some features of Peru's political evolution like the collapse of political party system (Revesz, 1997; Levitsky and Cameron, 2003), have had an impact on the current framework for reform, shaping the preferences of key actors and available policy options. More immediately, the 2000-2001 context of democratic transition in which Alejandro Toledo—the president initiating reforms—came to power was crucial in re-shaping the national policy agenda and the decision to promptly initiate reforms.

Some current characteristics can be traced back to developments in previous decades that are intimately linked to a particular institutional actor, the APRA party, and to its leader, Alan Garcia. The roots of the current emphasis on empowering regional government can be found in the mandate of the 1979 constitution—itself strongly influenced by the

APRA party's ideas and political aspirations—as well as in the short-lived regionalization process of the late 1980s and the return to politics of former president Alan García (and APRA) in 2001. In particular, García used his credentials as a champion of decentralization-as-regionalization as a major selling point in his campaign; in a context of democratic transition and pro-decentralization consensus, his rhetoric and campaign promises were seen by eventual winner Alejandro Toledo as offers to the electorate that needed to be matched (Tanaka, 2002).

On the other hand, the municipal foothold of political decentralization since 1980 has allowed local political competition to produce important independent, pro-decentralization political actors who gained national prominence in the late 1990s (Levitsky and Cameron, 2003). Many of these new actors, as legislators in a multiple-district congress, proved decisive in bringing about reforms within a democratic transition context in 2001-2002. Of course, this is closely tied to the decline of the political party system since the early 1990s: candidate based "disposable parties" with little subnational bases actively recruited these independents. Many entered national politics and were elected to Congress in 2001 as "invitees" who were not necessarily brought together because of ideological affinities. This key factor made possible a short-lived, pro-decentralization legislative front in 2001-2002 that crossed party lines and made sure that the president kept his electoral promise of prompt regional elections.

Influential trends in 1980-1990. Beginning in 1979 there was a clear constitutional mandate to decentralize the state that focused on establishing autonomous regional governments and reinstating local autonomies to existing municipalities, and there was some progress in decentralization—and notable setbacks—in the period from the 1979-80 democratic transition to the fall of the Fujimori regime (2000).

However, in the decade after democracy was reintroduced in 1980, political and policymaking power continued to be concentrated in Lima and, more specifically, in the Executive and the presidency. Democratically-elected presidents in the 1980's frequently ruled by decree, thus bypassing legislative control in a way that was, nevertheless, contemplated by the "presidentialist" 1979 Constitution (Crabtree, 1985; Mauceri, 1997). According to Sanborn and Moron (2004), while the Peruvian policymaking process has varied depending on such factors as regime type, electoral outcomes and the Executive's position in Congress, in the last quarter century it can be broadly described as volatile, arbitrary and heavily dependent on the Executive. In fact, the Fujimori years saw an unprecedented centralization of decision-making, as democratic institutions were weakened, political opposition was ineffective and the president explicitly advocated "direct democracy" without political intermediation; for this, he relied heavily on the advice of top technocrats and loyal personalistic networks (Durand, 1996; Mauceri, 1997; Levitsky and Cameron, 2003).

Not surprisingly given the lack of continuity of democratic administrations during the 20th century, the Peruvian political party system has been traditionally weak. According to Mainwaring and Scully (1995), Peru had the most inchoate or weakly institutionalized party system in the region as of the 1990s, and the situation has not shown noticeable improvements since then. Nevertheless, beginning with the 1978 constitutional assembly election, Peruvian elections were dominated for over a decade by a relatively balanced three-way division of political forces of the left, center and right (Revesz, 1996). Three parties in particular (APRA—the oldest mass-based, reformist party and a long-time champion of decentralization—, the center-right AP and the more conservative Christian Democratic PPC) and a leftist alliance of (*Izquierda Unida*) were prominent during that decade. Of these, the left-of-center APRA was the oldest, most institutionalized and the one with the deepest roots in society at a national level.

During the 1970s, some partial administrative decentralization efforts had been implemented under authoritarian rule, including departmental development authorities (ORDES) headed by appointed military heads (Azpur, 2005). The military government of Francisco Morales-Bermudez (1975-1980) set the stage for a transition back to democracy beginning in 1977. In a context of increasing debt-payment problems, falling living standards, and mobilization by regional movements and major strikes (Crabtree, 1985), the constitutional assembly dominated by APRA began work on a new constitution to replace the previous 1933 document. The document that was drafted and

approved in 1979 clearly established that decentralization was to be implemented, with a focus on regionalization of the country.

Thus, the second administration of AP's Belaunde (1980-1985)—while facing stagflation, a disastrously severe El Niño current in 1983, and especially the growing threat of the *Sendero Luminoso* insurgency—led the return to democracy with a constitutional mandate to implement regionalization. Department–level public corporations called CORDES—with assemblies that included mayors from within the department—were implemented throughout Peru to administrate a number of regional projects and programs; they handled a significant percentage of public investment but had very little decision-making autonomy even as deconcentrated instances of government.

Even though the ruling party and its allies controlled Congress, the expected sequence of reforms towards decentralization did not occur, as the transition to increased regional autonomies under Belaúnde did not follow the reestablishment of local elections. Some authors have cited the struggle for control of policymaking between factions in AP as a reason for Belaúnde's lack of decisive action in this respect (Kim, 1992), while it should also be mentioned that in each year of his administration the country's governance became increasingly difficult, with orthodox economic policies failing to curb growing inflation and a strengthening insurgency in the countryside that began to threaten major cities. Moreover, local elections in 1983 were not favorable to the ruling party, and the

left made significant gains; this may have discouraged any further moves towards regionalization that could have benefited opposition parties.

After nearly six decades of being excluded from power, APRA finally reached the presidency in 1985 through the landslide victory of young and charismatic leader Alan Garcia, who reached office with promises of substantial change and renewal. Between 1985 and 1987, however, APRA hardly lived up to its tradition of decentralization rhetoric, as the legal framework for decentralization was only slowly and gradually approved. Garcia, securely in control of Congress, did not seem in a hurry to implement decentralization. He did strengthen CORDES somewhat in his first years in office, however, but kept them firmly under central control (Kim, 1992).

Having experienced two years of economic growth in a context of populist rhetoric, heterodox reform and moratorium of debt payments, the new economic model seemed to reach its limits by mid-1987 (Graham, 1990), and the financial and political situation of the country began to deteriorate to unprecedented levels in 1988. Garcia adopted a more confrontational position against political opposition and announced his decision to nationalize the banking system in July 1987; it met with fierce resistance from the right, which was revitalized in opposition to this reform and, almost until elections in 1990, seemed poised to assume office in 1990 through prominent novelist Mario Vargas Llosa's FREDEMO coalition.

It was only in the middle of a period of hyperinflation, increasing attacks on the capital by subversive movements, rapid loss of popularity and signs of a virtual collapse of the state that Garcia finally pushed for regionalization. Regional governments were elected by regional assemblies between 1989 and 1990 and they took office in twelve regions that were created by the Executive's planning bureau Instituto Nacional de Planificación (INP)—combining existing departments without input from civil society.

It may seem rather paradoxical that, only after his long honeymoon period was over and facing more pressing issues, Garcia would officially designate 1988 as the year of regionalization and put it at the top of his policy agenda. February 1988's Modified Law of Regionalization reflected Garcia and APRA's decision to give a new political momentum to regionalization, with legislative support from the IU leftist coalition. Among other things, it provided for significantly greater regional autonomy than had been planned by the INP technocracy or legislation approved in Congress. The government proceeded to push through the creation of the twelve regions, a process that was finalized in April 1989.

Far from being an "audacious reform" or a response to pressures from below, undertaking a complex state reform like decentralization in this time of severe crisis appears in hindsight as a strategic (albeit, increasingly desperate) political decision on the part of Garcia and APRA, with support from the left.

Two intimately linked motivating factors have been discerned behind this unusual decision (Kim, 1992; Tanaka, 2002). Conscious of the worsening situation of the country and unwilling to take drastic economic measures, yet convinced of APRA's solid regional support bases by recent results, the president was at once consolidating a new political space for APRA and laying the groundwork for substantial party presence in the opposition until 1995, when he could run again for office. And, indeed, APRA and IU captured most regional presidencies. Thus, medium-term electoral calculation and the intention of consolidating the ruling party's (APRA's) power at the regional level at a time of crisis were two factors at stake. A third factor that must be considered is that, by rapidly implementing regional governments with greater power than previously planned, he could conceivably shift to the regions (at least in the public's view) some of the responsibilities that central government was rapidly proving itself incapable of carrying. Still, all these strategic political objectives could be hidden behind the pretext of fulfilling an undeniable constitutional mandate to decentralize, which also gave the ruler some democratic legitimacy. Years later, knowing that other political and economic areas of his administration could hardly be shown in a positive light, Garcia as presidential candidate would hold this regionalization experience as his key credential as a champion of democracy in the post-Fujimori era.

The road to reform, 1990-2000

Analysts of different political orientations now perceive the regional governments of Garcia's first administration as a particularly chaotic and ill-timed experiment, although

one that attempted to move the country in the right direction of decentralization. The design of regional governments, in particular, was not a factor that guaranteed their sustainability (Grupo Propuesta Ciudadana, 2003, 2006); their legislative branches, or regional assemblies, in particular were scenes of political gridlock ("asambleísmo"), and were a key reason why regional governments became virtually ungovernable during their brief existence (1989-1992). However, the mistakes in design—for instance, hasty implementation, the top-down imposition of regions and the unrepresentative regional assemblies—became lessons that were clearly on the mind of those involved in the current process, especially at the regional level (Propuesta Ciudadana, 2003; Alejos, 2005).

By the end of the Garcia administration in 1990—and after experiencing successive democratic administrations that failed with both heterodox and orthodox development approaches—voters appeared to have lost all confidence in the existing political system in a context of hyperinflation, terrorism and perceived corruption and incapacity of traditional politicians. Indeed, two political outsiders disputed the 1990 elections, although one of them (the renowned novelist Mario Vargas Llosa) became closely allied with traditional actors from the right, to his eventual disadvantage.

Fast-rising outsider Alberto Fujimori surprised the political establishment by reaching office in 1990 with anti-establishment rhetoric and as head of a makeshift political alliance of newcomers to politics, Cambio 90. In his first year, he implemented

remarkably harsh structural adjustment policies to stabilize the economy and embarked on a more decisive, and often ruthless, war against subversion (Weyland, 2000, 2002). By late 1991 he began to publicly denounce the opposition-controlled Congress as obstructing important measures for the country's recovery. By early 1992, his bold decisions were showing successful results and he was able to gain broad public support for his April self-coup, where the constitution was suspended and Congress (viewed widely as corrupt and obstructive) and elected regional governments were dissolved, among many other drastic measures. Regional governments were dissolved and replaced by the nominally transitional CTARs, deconcentrated administrative entities (first at the level of regions and then back ay the traditional department level) that were grouped under *Ministerio de la Presidencia* (MIPRES). An increasingly autocratic, centralizing rule was implemented even as a semblance of democracy was restored in 1993 through a popularly elected constitutional and legislative assembly (CCD) that eventually replaced the 1979 document.

Fujimori's anti-establishment, anti-politician stance had wide support after the failures of the democratic administrations of the 1980s, and his regime's legitimacy for a majority of Peruvians was consolidated as economic growth and social spending resumed in 1993. The 1990s saw the virtual disappearance of traditional political parties, as evidenced in electoral results after 1992, and the rise of independents leading candidate-driven, *ad hoc* electoral coalitions without "mobilizing roots in society" (Levistky and Cameron, 2003).

After shaping a new constitution in 1993 that further strengthened presidential authority and paid lip service to decentralization but made a real transfer of power to subnational governments impossible, Fujimori was reelected by a wide margin in 1995. In his second full term in office (1995-2000), however, Fujimori's policies were far less bold (Weyland, 2002), as no further structural reforms were implemented and the centralizing tendencies continued, characterized by growing targeted (and politically oriented) social spending through MIPRES. The last years of his regime took place in a context of recession, increasing accusations of gross corruption, and visible co-optation of large sectors of the opposition, the press and other media.

Relying on a highly personalized style of government, Fujimori was very reluctant to let new political figures emerge that could conceivably challenge his personalized leadership (Weyland, 2002; Tanaka, 2002), even blocking the consolidation of his own political organizations beyond election periods. Thus, it is not surprising that, while he did not attempt to stop democratic elections at the local level, he did weaken provincial mayors and their municipalities—especially metropolitan Lima—through a number of revenue slashing measures during the decade. Indeed, in the late 1990s the mayor of Lima, Alberto Andrade, and provincial mayors like Federico Salas of Huancavelica emerged as independents and potential presidential candidates. By the late 1990s, Fujimori's municipal allies had basically captured the national mayors association AMPE, a potential focus for opposition ("Mar de fondo: Maquinaria en Marcha," 1999), but many

mayors and former mayors at its margins continued to be vocal opponents of the regime's excesses.

Democratic transition and agenda setting, 2000-2001

Although the constitution prohibited it, Fujimori ran for a third presidential term in 2000. He maintained strong backing from Peru's poorest (Datum, 2000), located particularly in Lima's marginal areas and the rural interior, but he faced growing and increasingly visible opposition from middle and lower-middle sectors. This was most evident in the demonstrations of regional organizations, in response to a diversity of issues, throughout the country in the late 1990s. In the absence of political parties with credibility among the population, regional fronts—associated with urban areas in the interior, regional elites, workers groups, professional associations and, particularly, politically ambitious provincial mayors—were loudly demanding changes in the government's social and economic policies. In opposing Fujimori era policies, a heterogeneous group of actors started to converge on a burgeoning "decentralization movement" or "critical consensus on decentralization" (Azpur, 2005) throughout the country, involving regional fronts, local development coordination forums (*mesas de concertación*), and some regional private sector organizations (Propuesta Ciudadana, 2003).

Leading independents that loomed as potential contenders for Fujimori, like Andrade, however, were not closely tied to these or other movements that opposed the Fujimori regime. Decentralization came to the top of the policy agenda of candidates in the races

of 2000 and 2001; defining this public agenda was not necessarily a top-down process. Meanwhile, regional fronts had expressed discontent with the evolution of policies since the late 1990s, and there were concrete reasons for discontent with the centralist status quo in the provinces: structural adjustment that had wiped out industry in regional centers like Arequipa (Peru's second largest city), recession in 1998-2000 that hit regional centers hardest, a lack of progress in regionalization and sectoral reforms, and the perceived ineffectiveness in dealing with consequences of El Niño disruptions in 1997-1998, among others. It is also important to note that, with the end of the Sendero Luminoso threat, the polarizing influence of the war was gradually giving way to a rediscovery of regional and local development agendas, beyond the "us vs. them" view of the previous two decades.

As the April 2000 elections approached, the legitimacy of the Fujimori regime and a possible third term was widely questioned in Peru and abroad. In fact, by the turn of the century the nation was facing not just a crisis of legitimacy of the current administration but of the state in general (Azpur, 2005). Fujimori had helped to continue discrediting Congress in particular, he had neutralized institutions that like the Constitutional Tribunal and the electoral authorities that could check on his power, as well as traditional political parties; now, in the context of great corruption and electoral fraud scandals being unveiled, the presidency itself, along with much of the media and business establishment, were being severely questioned by large sections of the population.

Despite calls for a united front, the opposition was not able to present a single candidacy against Fujimori in April 2000. The incumbent won the first round of presidential elections, amidst allegations of fraud and the long-standing use of state resources to bolster his candidacy while undermining independent opposition leaders. However, Fujimori did not reach the required 50% and was forced into a run-off against Alejandro Toledo, head of the small, candidate-driven Peru Posible (PP) party and widely perceived as an independent. Toledo had unsuccessfully run for president in 1995 (receiving 3% of the vote) but very rapidly gained popularity in the three months prior to the 2000 elections, as other independent opposition leaders lost support. He denounced irregularities and lack of transparency in the first round, and international observers such as the Organization of American States backed many of his claims. Toledo soon announced that he would not run against Fujimori in the second round if the government did not postpone it because there were allegedly no guarantees of a clean election. He called for voters to refrain from voting or to cast invalid ballots and yet, in spite of domestic and international pressures, the election was held on time and Fujimori came out winning.

In the weeks between electoral rounds in 2000, Toledo effectively became the leader of the opposition and other losing candidates finally offered their support in order to oppose Fujimori. Lacking a solid party structure (a fact soon underscored by almost a third of elected PP legislators defecting from its ranks in the weeks after the legislature began) and himself facing significant disapproval in large sectors of the electorate (Datum,

2000), he traveled throughout the country to rally the support of prominent regional allies, especially those associated with combative anti-Fujimori regional fronts in departments like Loreto, in the Amazon jungle, and Arequipa, in the south, that had been centers of opposition since the mid-1990s. Although such fronts were not sufficiently institutionalized to sustain their influence over time, or to effectively influence policymaking circles under normal circumstances (Tanaka, 2002), in this conjuncture of rapid change, politicians without traditional party bases sought their support, paid close attention to their discourse and pledged to attend their demands. During this time, Toledo made many trips outside Lima in order to engage regional leaders. While these fronts were not broadly representative institutions, mass demonstrations led by them suggested that their demands reflected the preoccupations of large parts of the population.

Fujimori was sworn in for his third term in office in July 2000, against the backdrop of massive protest marches of which Toledo and regional actors were the visible heads. The government faced international isolation and only lasted until November 2000, when Fujimori fled the country and resigned as major corruption scandals erupted in the media. Congress elected AP representative Valentin Paniagua, who had just become president of congress, as the country's interim president, in order to lead the nation to clean elections in 2001.

The transition government. The 2000-2001 transition period under President Paniagua was an atypical one in that politicians of different orientations, and the nation's opinion

leaders in general, openly sought spaces for dialogue in order to confront a crisis situation following the fall of Fujimori. Moreover, Paniagua's cabinet included many prominent members of academia and civil society that had actively opposed Fujimori's authoritarianism. Many saw this as a period of high expectations for a renewed development model in the context of enhanced democratic governance (Grupo Propuesta Ciudadana, 2003). It was also a period of institutional change in Congress, whose members had been involved in corruption scandals at the end of the Fujimori era, and where multiple district representation was reintroduced as part of an effort to begin reversing the centralizing tendencies of the 1990's.

The state reached out to civil society during this period. An important experience that began here was that of the *Mesas de Concertacion de Lucha contra la Pobreza*, state-civil society coordination committees that were often backed by local policymakers and international cooperation. These entities were not only a key for beginning national dialogue regarding social policy guidelines and local development plans, but they were the "laboratories" and building blocks for participatory budgeting and other processes that were institutionalized in the decentralization framework.[9] Moreover, they functioned as temporary participatory instances for subnational governments in 2002-2003, while permanent assemblies were being implemented, and were vital in resolving tensions and potential conflicts in a context where political parties lacked legitimacy and had very little subnational presence. Additionally, they were a key precedent for the Acuerdo

[9] Javier Abugattás interview, 2005.

Nacional, a high-level forum that involved politicians and other public and private actors in defining development priorities for the country at the beginning of the Toledo administration; there, decentralization was defined as a top and urgent priority.

Political competition, of course, did not stop during this period, especially as elections approached. Although at first the presidential race seemed to be a race between two—Toledo and center-right candidate Lourdes Flores of Unidad Nacional (UN)—the remarkable return of former president Alan Garcia in January 2001 signaled the rebirth of APRA in the political scene and a changed campaign dynamic. Garcia's popularity quickly rose and he became one of the front-runners in a matter of weeks; he surprised many by narrowly defeating Flores in the first round of elections in April, entering the June 2001 run-off facing front-runner Toledo. The front-runner, for his part, not only headed PP but was also supported by a number of parties that had presented candidates in the 2000 elections, such as AP and Somos Peru. These now included among their candidates for Congress a large number of recent mayors from the provinces who had supported decentralization in the 1990s and would now enter Congress representing specific regions. Among them was the former mayor of the Andean city of Cajamarca and president of association of municipalities (AMPE) during 1996-1998, Luis Guerrero, who would become the influential president of the Decentralization Committee in Congress in 2001; his successor in 2002, Walter Alejos, was a PP representative from Ayacucho who had presided a regional civic movement in one of Peru's poorest departments.

The disastrous shape of the country and alleged corruption at the end of Garcia's first presidency, together with the numerous personal scandals in which Toledo's involvement had been alleged by the media and politicians, configured a race in which the two leading candidates enjoyed little credibility among large sectors of the population. During this campaign, decentralization was undoubtedly a top issue in the electoral agendas, in large part because of the perceived need of candidates to distance themselves from the ills of the previous regime in the post-Fujimori transition context: all parties explicitly offered such reform, especially to crowds outside Lima. In the run-off, in particular, there was a competition to gain credibility as the champion of decentralization (Tanaka, 2002). Garcia effectively drew attention to the regionalization reforms of his regime as evidence of commitment to decentralization and promised swift changes, though without much detail. Toledo, for his part, kept up by making constant promises of prompt regionalization despite not having a plan for carrying out such reforms.[10] In an increasingly tight race, both candidates were desperately trying to reach out to an enormous sector of the electorate that saw neither one as an acceptable alternative; in mid-May, polls by the most respected firms showed that close to a third of voters planned to cast a blank or invalid ballot (Apoyo, 2001; Datum, 2001). An obvious political objective of becoming credible as a champion of decentralization was to win over the strongholds of anti-Fujimori, anti-authoritarian sentiment in cities of the interior.

[10] Interview with Rudecindo Vega, 2006.

The decision to decentralize and the dynamics of policy formulation

Despite Garcia's spectacular rise in the polls, Toledo still won the 2001 election and, in the context of his otherwise unspectacular inauguration speech in July of that year, made a bold announcement that surprised many: the election of regional governments in November 2002, only 16 months later. No announcements were made then, or promptly afterwards, regarding the details of the decision. Another early announcement that had been offered during the campaign was the dismantling, within a year, of *Ministerio de la Presidencia* (MIPRE), the all-purpose ministry that had served to concentrate Fujimori's politically oriented social spending programs and which, significantly, was in charge of the transitional CTAR regional authorities.

Toledo fulfilled his inaugural promise to hold regional elections before the end of 2002. However, getting to that point required the formulation and approval of a legal framework to define the general model for decentralization, intergovernmental relations and how regional governments would be structured, what they could do and could not do, and how they would relate to central and local government. The 16 months between inauguration and the elections were not ample time for such a task, especially considering it would involve, first of all, amending the 1993 constitution and setting up the foundations for the entire institutional framework.

Behind Toledo's general offerings during his campaign and beyond there was no particular model of decentralization to speak of; all officials interviewed, including

former CND head Luis Thais and former MIPRES policymaker and Housing Minister Rudecindo Vega, basically shared this perspective. The model to be implemented was yet to be designed, although the political imperative of holding regional elections at the department-level within a short time certainly provided a basic constraint for any technical design team or political negotiations thereafter.[11]

With the entry of over 30 new legislators that had previously been mayors and now responded to regional constituencies, there was undoubtedly a new force in Congress with high expectations regarding decentralization, and they wanted to move rapidly.[12] As witnessed firsthand by a senior member of the Ministry of Finance's negotiating team in Congress, even as late as mid-2002, regional priorities appeared less important than party affiliation among the large contingent of new legislators representing department-level congressional districts.[13] There was an unprecedented consensus in Congress regarding decentralization even before legislators in the Decentralization Committee (headed by Luis Guerrero in 2001-2002) had a counterpart in the Executive (Alejos and Zas Friz, 2005; interview with Vega 2006).

In the first month after inauguration, the combative mayor of Arequipa, Juan Guillén, delayed accepting the president's public invitation to head the decentralization commission.[14] In spite of this, Toledo did not make a clear delegation of the

[11] Johnny Zas Friz interview, 2004.
[12] Interview with Rudecindo Vega, 2006
[13] Interview with Hillman Farfan, 2005.
[14] R. Vega interview.

responsibility to lead the process in the following months. This lack of strong leadership and guiding vision for the process on the part of Toledo was reflected in the existence of two, and briefly three, teams in the executive working on the design of a decentralization model in relative isolation between 2001-2002.

With international technocrat Roberto Dañino as Prime Minister in Toledo's first cabinet, a team was established in the *Presidencia del Consejo de Ministros* (PCM) to oversee state reform and decentralization matters. This team, some of whose members had been technocrats during the Fujimori regime, had the support of the Inter American Development Bank and other international financial institutions but was relatively inactive during 2001. However, from the start theirs was a vision that potentially clashed with the implications of Toledo's inaugural promise and with the aspirations of many subnational actors. The PCM team envisioned a very gradual and carefully controlled process, one with a careful balance between the regional and local powers, and with elections for regional governments to come only *after* larger regions were conformed out of existing departments and their capacities were adequately strengthened.[15] The technocratic PCM team would become much more active in 2002 as the discussion of the legal framework for decentralization became imminent; they were closely allied with the powerful Ministry of Economy and Finance (MEF) in their negotiations with Congress. MEF, which in practice acts not only as a finance ministry but also as a state planning

[15] Zas Friz interview, 2004

and budgeting authority, effectively pushed for very tight fiscal and spending safeguards for regional governments in the legislation.

In the meantime, the *Ministerio de la Presidencia* (MIPRES), which was still in charge of the existing regional authorities (CTAR), was scheduled to be dismantled by July 2002. Carlos Bruce, the minister in charge, was a prominent member of Toledo's party and had the mandate of overseeing this process in preparation for the regional elections. Shortly after taking office, Bruce called upon a personal friend of himself and Toledo, widely respected decentralization expert, Pedro Planas, to set up a team (*Secretaría Técnica para la Descentralización*) to design a plan for decentralization. This team was formally constituted in August 2001 and had a different vision of decentralization from the PCM team, which considered the MIPRE team "politicized" (Casas, 2004). They came to work closely with the members of the decentralization committee in Congress, sharing their vision of somewhat quicker, more decisive change in line with Toledo´s announcements. According to Rudecindo Vega, who was part of the MIPRES team and later Minister of Housing, the team headed by Planas and later by Vega himself had "great chemistry" with the pro-decentralization legislators and helped to translate their ideas into legislative proposals. Many of these proposals were published by MIPRES and substantial parts of them would be reflected in the approved legislation.

During this period, Toledo's popularity began to fall soon after the beginning of his term and dropped below 30% approval by the end of 2001 (Apoyo, 2005). Although, in

September, MIPRES's Planas had convinced Arequipa's Guillén to head the decentralization commission, by the time he arrived this commission was placed firmly in the PCM under Prime Minister Dañino and his team, not directly under Toledo, so it constituted a short-lived third decentralization team that had little chance of influencing policymaking; he soon resigned.

Tragedy (Planas died of a heart attack in October 2001) and Toledo's inaugural commitments to dissolving MIPRES by mid-2002 dictated that, after late 2001, the neoliberal-leaning PCM team, in tandem with MEF, would gradually assume the Executive's lead role in negotiating the decentralization framework with Congress. PCM and MEF's vision would be reflected in several aspects of the framework for decentralization, including the general nature of the entity that would lead the process (Consejo Nacional de Descentralización, CND), the tight fiscal safeguards, and the initial transfer of social programs to municipalities.

Toledo's lack of leadership of the process did not change in the following months, and neither did his continued decrease in approval ratings. Moreover, by early 2002 APRA (the principal opposition force) appeared set to become the big winner in Toledo's regional elections. In March 2002, regional elections were formally announced and the 1993 constitution was officially amended to make possible the beginning of the process.

After March 2002, executive-legislative negotiations and congressional debate began regarding the Basic Law of Decentralization, which established a general sequence of reforms and, in broad terms, the new architecture of intergovernmental relations. This fundamental legislation was discussed and approved in the midst of a general pro-decentralization consensus in Congress, which made possible its relative technical soundness (Alejos and Zas Friz, 2005).[16] By this point, even though Toledo was not actively involved in leading the process of policy formulation, he showed no intentions of going back on his promise of November elections; in fact, he reaffirmed his commitment in his second July 28 address to the nation.

However, as the regional elections came closer, political party interests began to predominate in discussions in Congress (Alejos and Zas Friz, 2005) and, as political tensions rose, it became far more difficult to maintain technical coherence in the framework, to the point that the law that defined the nature of regional governments, *Ley Orgánica de Gobiernos Regionales* was arduously debated until early November and only approved by the president on the day before the election. It contained several guidelines that contradicted the Basic Law of Decentralization, including key issues like the overall sequence of reforms and the participation of civil society in regional governments, which APRA now opposed (Alejos and Zas Friz, 2005; interview with Abugattás 2005). In the regional elections, as expected, APRA was the big winner as it

[16] Also discussed in Zas Friz and Farfán interviews.

captured nearly half of the regional presidencies, while the ruling party only won one (Callao) and many regions were won by independents.

The determinants of Toledo's decision and of the reform model. Although the president announced decentralization, and the promise of regional elections was fulfilled, the model of reform now in place was not principally shaped by the preferences of Toledo or his closest advisors. Nor was the president a key force behind getting the process underway promptly. The course of events following the announcement of Toledo's decision to begin decentralization reforms does not provide evidence of a coherent strategy unfolding. Beyond establishing a timeframe for elections, the president did not provide any substantial guidelines for successfully reaching his stated objectives. And he did not endeavor to put together a design team to work on making regionalization a viable, coherent process. Neither did he attempt to shield the early policy formulation process from political negotiations, a strategy that has been successfully employed in introducing particular decentralization models elsewhere, like in neighboring Bolivia (Gray-Molina et al, 1999).

Actually, the implementation, during the transition government of 2000-2001, of a multiple-district, single-chamber legislative was one crucial factor that made possible the fulfillment of electoral promises about decentralization this time around. This gave unprecedented leverage to incoming representatives from outside the capital: until the 1992 self-coup, Peru had had a bicameral national congress in which only the lower

house was multiple-district, while after the 1993 Constitutional Assembly there was a single-chamber, single-district body in place. This reform can be seen as the first significant, “top-down” step taken during the democratic transition that responded to perceived demands from below, as ordinary citizens and subnational politicians loudly insisted that centralizing tendencies of the 1990s had to be reversed.

The relation between the president with uncertain political bases and political allies in Congress is a key to understanding why a democratically elected president would commit himself to decentralization during campaign, proceed to establish a tight timeframe for holding elections at a level of government that was still to be created, but then basically stay away from the policymaking process. In fact, Toledo did not even take advantage of his first weeks and months in office, the so-called “honeymoon period” of popular approval and relative political calm, to push through a particular model of decentralization.

The explanation put forward here is that, once elected, decentralization was no longer a politically attractive policy option for Toledo but he could not go back on his commitments because of pressure from a pro-reform front in the multiple-district congress. The early defection of a third of PP legislators in 2000 probably served as a stark reminder of his fragile support base. Thus, the process—which was put high on the public agenda by the democratic transition context and made more viable by relative economic and political stability (compared to the late 1980s)—was primarily shaped by

the preferences of reform-minded legislators and by policy design teams within the Executive that interacted with legislators.

All that was clear from the president's discourse, by implication, was that the emphasis in policy formulation would have to be on regional government, because of the imminent elections. The lack of any guidelines put forth for reform, and the lack of leadership of the early policy formulation process that was necessary to deliver on his inaugural promise, clearly suggest that the president was no *audacious reformer* (Grindle, 2000) seeking to resolve fundamental governance problems of the country, or any more specific administrative or technical issues. Toledo could be seen as initially seeking to legitimize the fragile political system, and his role in power vis-à-vis a pro-decentralization electorate, by reaffirming his commitment in his inaugural speech. However, from this perspective he had no reason to hurry things before there was even a reform model or a solid framework for reform that could support such an ambitious process, as he did by establishing such a tight schedule for elections.

It was political calculation in the electoral campaign context that had put decentralization at the top of Toledo's agenda: the fast-rising candidate of 2000 became the *de facto* leader of the opposition and, lacking a solid national party base of support, he sought to align himself with regional forces that clamored for decentralization. With decentralization as a key and well-documented demand in the Peruvian population (Trivelli, 2002), he needed to be seen as representing change from the status quo, and he

particularly needed to establish himself as a credible *descentralista* in the race against the eloquent Garcia, who banked on his allegedly proven regionalization record.

However, from a perspective of electoral calculation, once in office Toledo had no clear incentives to push for a particular decentralization model or even to deliver on his promise; his possibilities of extracting a positive outcome from regional elections were unclear at best. He had no reason to believe that his weak party structure, or his loose coalition of regional allies, could serve as a coherent platform for effectively challenging a revitalized APRA in regional elections. If anything, APRA's decades old regional and local bases were being reactivated in anticipation for the 2006 elections, were Garcia was expected to be the front-runner.

Thus, Toledo's adoption of the decentralization issue as a priority in his policy agenda was rather opportunistic and only beneficial to his political interests for a very brief period; after that, however, he was not able to let it go because an undeniable impetus for rapidly initiating decentralization was coming from political actors that he could not ignore. It appears that the general logic behind the decision to decentralize and the shaping of key characteristics of reform in Peru bears some resemblance to the party structure determinants explanation proposed by Willis, Garman and Haggard (1999), where:

> The greater the political sensitivity of central level politicians to subnational outcomes, the more decentralized the system is likely to be. (p. 9)

According to these authors, the sensitivity to subnational outcomes in Latin America is determined by political party structures, and the bargaining processes mediated through parties determine whether national or subnational interests prevail during reform. A strong president with a centralized party would therefore have little incentive to initiate reforms that provide greater authority and resources to subnational authorities.

In Peru, however, political competition is now generally dominated not by political parties but by personalistic, "disposable" organizations put together for strictly electoral purposes. President Toledo had come to power in 2001 with the help of subnational actors with whom he was loosely allied; many of these, however, shared a common agenda in that they were pro-decentralization individuals who successfully ran for Congress and were now, for the first time, accountable to regional constituencies. Perú Posible, on the other hand, lacked a clear policy agenda in its history of less than a decade. Thus, once in office there was a multi-party, legislative front (Azpur, 2005) that was ready to hold Toledo accountable for his electoral promises: he had little choice but to be sensitive to subnational outcomes.

Indeed, of the 44 elected Peru Posible representatives (out of 120 representatives in Congress), 30 represented regions other than Lima and Callao, and of these 22 were newcomers to Congress, most of them with backgrounds in subnational government and not party members but individuals of different backgrounds invited to run on the PP ticket. Additionally, PP allies AP and Somos Peru brought in six new representatives

from outside Lima and Callao. A new force in Congress, in charge of the Decentralization and Regionalization Commission, came in with high expectations regarding decentralization, and they made it clear to public opinion and the executive that they wanted to move rapidly (Castillo, 2002).[17]

In terms of policy formulation, the cross-party consensus in Congress facilitated smooth legislative debate sessions in June 2002, when elections were still somewhat distant. There were unusually high votes in favor of the Basic Law of Decentralization (BLD) and amendments to particular articles; no more than two votes against and two abstentions were registered in any particular session on record (Congress of Peru, 2007). Moreover, there were no significant calls for postponing regional elections in the BLD debates. Although an APRA representative voiced the party's opposition to limiting regional governments' ability to borrow without central government approval, this did not translate into APRA blocking the legislation.

This cross-party front even had an impact on other areas of reform in 2002, as legislators from the interior successfully banded together to oppose aspects of the Law of Political Parties that would have subjected regional movements to similarly restrictive rules as national political parties (Vergara, 2007). Curiously, a visible leader of this front was Walter Alejos, who represented a national party, the ruling Peru Posible. In the broader national context, too, regional agendas and demonstrations gained great visibility during

[17] Interview with Rudecindo Vega, 2006.

2002 and were also seen as exerting much stronger political pressure on the public agenda than political parties (Caretas, 2002)

In terms of the general characteristics of the model for decentralization, the experience of Garcia's failed regionalization in the late 1980s was important during this formulation stage in facilitating a general consensus about aspects of the Toledo process, without which political negotiations would have likely been more arduous. Many lawmakers and technocrats involved in the design of the newer decentralization model had witnessed firsthand, at the regional level, the difficulties that arose in the previous experience that attempted rapid change. While new legislators and regional actors wanted reforms to begin as soon as possible (in contrast to the PCM-MEF team), it is clear that they were willing to consider a gradual, careful road to decentralization once it was underway, rather than an overnight devolution of authority (Castillo, 2002; Alejos y Zas Friz, 2005); this helped to harmonize the perspectives of legislators and the relatively neo-liberal leaning and fiscally prudent technocrats at PCM and MEF. Moreover, there was virtually no discussion of predetermining larger regions on the basis of existing departments as was done in the late 1980's; decentralization went ahead on the basis of departments that would join larger units in the medium term, a decision that is also politically advantageous for representatives elected by department-level constituencies with whom they are likely familiar.

Thus, incorporating some of the policy preferences of PCM and, especially, MEF into the decentralization framework was not overly problematic as the Basic Law of Decentralization was designed, paving the way for a more conservative model than one might have expected in a context where Congress had the upper hand in shaping reforms. The "conservative" characteristics include tight fiscal control of subnational governments, administrative decentralization only after political decentralization was consolidated, and a weak agency in charge of leading decentralization, among other characteristics. Where the PCM-MEF view could not get across, however, was on the issue of greater relative balance between local and regional empowerment. The timing of regional elections itself, the preferences of legislators with regional constituencies, and the interest of the powerful APRA inclined the balance towards regional government in the overall framework. Still, the current process aims at a more equitable relation between local and regional bodies than the 1989-1992 process.

This legislative consensus, however, had disappeared by the time of the turbulent debate on the next crucial piece of legislation, the Law of Regional Governments (LRG), which more specifically defined the role, structure and functions of regional governments and thus had to be formulated and approved rather quickly as the November elections approached.[18] APRA lawmakers, in particular, now began to act according to party priorities; seeing that they were set to win a significant number of regional governments, they sought to strengthen this level of government and blocked efforts to include

[18] Zas Friz interview, 2004.

substantial civil society participation in regional governments (Alejos and Zas Friz, 2005). Even though this flatly contradicted the BLD, and even the constitution, aspects of the law regarding the participation of civil society through a regional coordination committee (CCR) were not part of the original law when elections were held, and were only approved in January 2003, together with other important aspects that could not be resolved in the original debate before the elections.

In addition to initial omissions that were filled within a few months, the LRG also definitively modified the careful sequence of reforms established in the BLD in a way that would tend to empower department-based regions: administrative decentralization would take place in all sectors at once (rather than leaving education and health for last) effectively beginning sectoral transfers in January 2004, and it would not have to wait until larger regions were consolidated through referenda.

Finally, when the third major law in the framework, the Law of Municipal Governments, was approved in May 2003, there was little interest in Congress to substantially strengthen this level of government. Neither the Executive nor the main opposition, APRA, pushed for any significant departures in the new law from the previous, Fujimori-era document that it sought to replace. Most crucially at this stage, there was little clarity regarding the functions that province and district-level municipalities were to be transferred, especially as the distinction in roles between these two levels was ambiguous.

Thus, the institutional framework that guides the implementation of the process—the implications of which are described in the following chapters—was produced through an increasingly arduous political and policymaking debate between the Executive and Congress, and the electoral backdrop of this debate explains some of the framework's contradictions and ambiguities. Moreover, other determinants of this imperfect and relatively ambiguous decentralization model can be found not only in the short-term motivations of the president that decided the start of reforms but also in the larger context of democratic transition, in the dynamics of the preceding presidential elections, in the demands for decentralization of regional actors, in Peru's fragile party system, in the preferences of technocrats, and, not least, in the decentralization experiences of the previous decades.

Conclusion

This third chapter identified and analyzed key trends in recent decades that paved the way for the model of decentralization designed and implemented in 21st century Peru, as well as having described and identified the determinants of the early (agenda setting and formulation) stages of the decentralization policymaking process since 2000. Among the long and medium-term factors that ultimately had a significant impact on the characteristics of administrative decentralization reforms begun in 2003 was the sequence of frustrated or aborted reforms since 1980, which defined the range of options that were politically feasible when policies were debated and designed. It also analyzed the more recent political factors (since the 2000-2001 democratic transition) that immediately

shaped the timing of decentralization and the framework for sectoral administrative reforms; the determinants of the beginning of reform were, as in other Latin American countries, largely political, but the range of actors involved was quite particular. In terms of the analysis of the implementation of administrative decentralization that is the central object of this study, this chapter has shown that, while implementation later brought with it particular context for policymaking and a new set of predominant actors,

Chapter 4 - Implementation, resistance and the predominant role of ministries

This chapter addresses one of this study's principal research questions by identifying the key actors and stakeholders in shaping implementation (2003-2006), and by describing how and why ministries and other sectoral agencies came to have the upper hand in the process. Having previously identified key factors that shaped the agenda setting and formulation stages of decentralization in Peru (Chapter 3), this chapter begins to examine the relevance of different approaches to the unfolding of implementation. Furthermore, it establishes the relevance of focusing on ministerial policymakers as the principal actors shaping administrative reforms in state decentralization.

From a bureaucratic politics perspective—which focuses on inter-agency conflict and the calculated self-interest of bureaucrats (see Chapter 2)—the observed predominance of ministries leads one to the expectation that ministerial policymakers would successfully seek to preserve the status quo and avoid a real transfer of decision-making power. Indeed, a general description of overall results and of policies observed in the ministries in charge of decentralizing policy sectors provides important evidence to support a pluralist, bureaucratic politics view of implementation, including: (a) the transfer of unfunded mandates, (b) unrealistic accreditation requirements for subnational governments and, often, (c) the omission of decentralization in official planning documents. However, as the exploration uncovers the particularities of policymaking in different ministries, self-interest loses its power as an overarching, explanatory factor and

it becomes evident that there is room for other explanations to account for observed results coherently.

The transfer of central authorities and resources to subnational levels formally began as elected regional governments were inaugurated in January 2003. However, as will be shown in this chapter, little was transferred until the end of the Toledo administration (2006) that can be understood as involving real decision-making power—i.e., policymaking authority and necessary resources to implement decisions—in previously centralized policy fields.

In light of the mandate for administrative delegation that is found in Peru's constitution and the key decentralization laws, discussed in Chapter 3, ministries have enjoyed almost complete discretion to design and implement sectoral decentralization policies. In the words of a Peruvian decentralization expert evaluating at the process from civil society, in practice this has meant that each sector in the Executive "defines and negotiates transfers from its own particular point of view and interest" (Azpur, 2005, p. 6).

Under these conditions, is it unreasonable to expect that agencies holding decision-making power would willingly implement policies that aim at limiting their power in favor of autonomous actors? A bureaucratic politics approach would indeed lead us to consider this an unreasonable expectation, and the broad assessments of administrative decentralization by Peruvian watchdog organizations would generally be in line with this

(Participa Peru, 2006). Thus, after reviewing the "rules of the game," key actors in reform and the context as implementation began, this chapter sets out to interpret sectoral policies as a whole through an analytical lens that sees self-interest as the fundamental explanatory factor of observed policies. It thus begins to test the explanatory power of a bureaucratic politics approach to the observed outcomes (sectoral policies) in administrative decentralization until 2006.

In other words, this chapter and the following seek to understand how well a pluralist, bureaucratic politics-type theoretical lens that focuses on self-interest as an independent variable can account for the overall pattern of administration decentralization. The following chapter, moreover, will allow us to evaluate the strength of such an approach in accounting for differences observed between sectoral decentralization policies–which, as we will see in this chapter, are largely controlled by a heterogeneous group of mid-level actors such as ministries. To achieve this, the discussions look first, in this chapter, at the set of transfers by ministries as a whole and then, in the following chapter, focuses on some individual cases of ministries that began to formally transfer functions in the period 2003-2006.

Implementation begins

In early 2003, 25 elected regional governments were inaugurated, initially assuming the assets and general responsibilities of the previous deconcentrated regional authorities (CTAR). The implementation of administrative decentralization began at this point,

though not with sectoral transfers proposed by ministries but, rather, with the centrally-planned first steps in the transfer of national social programs that had been controlled by the Ministry of the Presidency during the Fujimori era, generally benefiting local governments. Initial measures also included the transfer of infrastructure projects, particularly rural roads (going to regional and local governments) and large irrigation projects in the coast (going to regional governments). Sectoral transfers from ministries to subnational governments would, nevertheless, be the focus of transfers in the following years of the Toledo administration.

Two of the three major pieces of the current legal framework for decentralization (the Basic Law of Decentralization and the Law of Regional Governments) were in place by January 1st, 2003. A third major component, the new Law of Municipal Governments, was approved in May 2003. However, there was—and continued to be, until four years later—a missing element: the Basic Law of Decentralization (BLD) had also considered a new Law of Executive Power (LEP) as a necessary part of the framework that would, among other things, further clarify what functions were currently at the central level that could be decentralized. Various drafts of this law have been discussed since, and only in late 2007 (long after the end of the Toledo administration) did Congress approve the LEP.

Another piece of legislation that was substantially delayed, and only marginally less important for the decentralization process than those outlined above, is the Law of the

Accreditation System that is necessary for regional and local governments to be certified by *Consejo Nacional de Descentralización* (CND) as recipients of new sectoral resources and functions. Due to delays in Congress and the Executive, it was only approved a year and a half after the administrative decentralization process officially began, in July 2004. Thus, the early transfers of projects and programs could only be made fully effective at least one year after the official start of implementation.

After the turbulent policymaking period leading to regional and municipal elections and the inauguration of regional governments, interest in the subsequent steps towards decentralization appeared to diminish in Congress—whose members had shown a preference for regionalization as a model for decentralization. The legislative debate of the Law of Municipal Governments (LMG), approved in May 2003, was "closed and hardly transparent" and it did not take into account the valuable lessons of the previous decades of autonomous municipal experience; as in the case of the LRG in November 2002, the LMG was initially approved without a civil society participation component, which was reintroduced only after the Executive returned the law for changes before approval (Propuesta Ciudadana, 2006). Some political reasons for a changed attitude of lawmakers towards the decentralization process by early 2003 are evident: for the Toledo government and its allies, the regional elections were so far the key test of its decentralization policies and the results had been a dismal political failure for the ruling party; its success in local elections throughout the country was also unremarkable, winning only 11 of 194 provincial races (ONPE, 2003). Meanwhile, for the main

opposition party (APRA) the regional elections were a great success (winning 12 of 25 regional races). There was also some significant, although far less impressive, APRA success in local races, as it captured 17% of provincial governments (Propuesta Ciudadana, 2003). Thus, little effort was put into making the Law of Municipal Governments (LMG) a significant improvement of the law it replaced, in terms of strengthening or clarifying the role of municipalities. This basically confirmed the bias towards decentralization to the regional level that existed among legislators, as central government technocrats perceived it.

Not surprisingly after the APRA domination of regional elections, President Toledo did not assume an active leadership of decentralization after regional governments were in place, or any time afterwards until the end of his term in July 2006. The administrative decentralization process may have formally continued in many policy sectors but—especially after the defeat of five multi-department initiatives to create larger regions in late 2005—top government officials appeared to have given up on any new decentralization initiatives, and it was generally considered in the media that the overwhelming "No" vote represented a popular rejection of the government's management of the issue (Palestra, 2006). In fact, even as early as mid-2004, public opinion was significantly disapproving of the government's decentralization policies (Apoyo, 2004). If anything, the role of the Executive towards the end of the Toledo administration can be seen as one of delaying even formal transfers in some politically sensitive sectors (education and health), because in 2005 CND—whose transfer plans

must be approved by the cabinet—acted in contrast to its normal compliance with ministry requirements by cutting back on early health transfers (which under the 2005 plan effectively began late in that year) and delaying the beginning of transfers in education until after the next administration would be in office.

The official "rules of the game" for implementation: The legal framework

Overall, as illustrated in the previous chapter, the legal framework for reform—and the institutional framework for reform that it has put in place—was the result of a tough and evolving political debate as much as it is the reflection of a coherent vision of decentralization. Despite its flaws, it sets the overarching institutional framework for reform and some of the key "rules of the game" for implementation, while other, unwritten rules have been dictated along the way by some of the important actors in decentralization. These actors and rules are outlined in this section and the next.

A brief comparative review of the three key components of the framework reveals important contradictions and ambiguities that directly affect the conditions under which implementation of administrative transfers take place. First, on the basis of the amendment to the 1993 constitution that made possible an autonomous level of regional government, the Basic Law of Decentralization laid out a process that is gradual, quite conservative and must move forward through well-defined, consecutive stages, namely: (a) formulation and approval of the legal framework; (b) consolidation of larger regions, consisting of two or more of the current departments; (c) transfer of resources and

responsibilities in all sectors except education and health; and, finally, (d) transfer of resources and responsibilities in education and health. It sets a number of "safety mechanisms" to ensure fiscal stability, limiting the capacity of regional and local governments to acquire debt and to create new taxes; these depend on the Executive and Congress. Also, BLD created the institution that was to lead, coordinate and monitor the decentralization process (Consejo Nacional de Descentralización, CND) as a relatively weak government agency.

Significantly, the BLD outlines a number of exclusive and shared "competences and functions" (where "competences" are the legal attributions necessary for actual functions to be performed) in several policy sectors for each level of government, as well as some competences and functions that may be optionally delegated by central government. However, the BLD also states that the organic law for each level of government should more concretely define how these would be carried out. Thus, it outlines a new structure of intergovernmental administrative relations but without providing much detail, and it does not provide clear guidelines as to how to coordinate between levels of government in the cases of shared competences and functions beyond establishing the role of a coordinating agency to handle such issues (CND). Although the laws for regional and municipal governments were approved within a year of the BLD, a key to clarifying the new shape of intergovernmental relation, the Law of the Executive Power, was never approved. Finally, the BLD establishes general criteria for carrying out the assignment and transfer of functions and competences, indicating that for administrative

decentralization CND must consider the capacities of subnational governments to assume new authorities and that all transfers must be accompanied by the necessary financial, technical material and human resources to ensure the continued provision of services in an efficient manner.

Debated on the eve of elections, the *Ley Orgánica de Gobiernos Regionales* or Law of Regional Governments (LRG, November 2002) was generally compatible with the shape of intergovernmental relations set in the BLD, and provided greater detail on the exclusive and shared functions and competences of regional governments, defining some general areas to be transferred by policy sector. Nevertheless, these functions are not carefully categorized; they vary in their level of specificity within any single area, from the extremely concrete to very broad responsibilities of regional development. However, in the context of increasingly polarized debate and with little time remaining before elections, the LRG initially left out some important sections on citizen participation in regional government, fiscal sustainability and the sectoral policymaking prerogatives of central government ministries. These problems were solved through additional norms in early 2003, yet some aspects that contradicted, and in practice altered, the model in the BLD stayed for good in the LRG and beyond: the transfer of responsibilities to subnational governments was not only to proceed before larger regions were consolidated, but education and health (which had been left as the last stage of reform because of their perceived complexity and political sensitiveness) were to be transferred along with other sectors from the very start of the process.

Finally, the Law of Municipal Governments (May 2003) has been judged to be rather conservative in terms of the powers assigned to local government, not at all innovative with regards to previous legislation on local government, and reinforcing the upper hand of regional governments in the implementation of the decentralization process,[19] as well as not being fully compatible with laws governing regional governments (Azpur, 2003). One of the most debilitating characteristics of this law is that it does not clearly draw lines between the policy functions and responsibilities of district and province-level municipalities, or of these local governments vis-à-vis central and regional government. Although this law does improve on previous norms by incorporating into municipal governments a new civil society consultative assembly (CCL) that parallels that found in regional governments, in most aspects this piece of legislation is considered an "essential continuity" of the previous law of municipalities that was in effect during the Fujimori years (Zas Friz, 2005).

Zas Friz (2005) lists several additional important shortcomings of the LMG, including its very vague description of the role of municipal governments as recipients of new administrative functions and resources, and its significant restrictions on civil society participation. From the standpoint of civil society and local governments, an important objection is that the LMG has not adequately distinguished between the needs of very different types of municipalities in Peru in the context of decentralization, especially

[19] Rodolfo Alva interview, 2005; Johnny Zas Friz interview, 2004

considering the distinct challenges of a majority of small and poor rural ones that are highly dependent on financial transfers (Propuesta Ciudadana, 2006).[20]

The fact that the legal framework provides few details for implementation certainly appears as a challenge for sectoral policymakers, but it should not necessarily be taken as a hindrance for the transfer of decision-making from the center. It can be argued that, in a policy formulation stage hastened by political timetables, it would have been pointless to establish specifics of administrative decentralization when there was no time to make extensive technical consultation within particular policy sectors. Nevertheless, the ambiguities in the framework give much discretion to ministries in deciding how and when to transfer authority and resources. This makes it necessary, then, to have some supervisory agency to oversee the process to make sure that the mandates of the legal framework are followed and that the interests of subnational governments are served.

Key actors during implementation and some other "rules of the game"

According to the legal framework, since 2003 each year a formal sequence of administrative decentralization activities under CND supervision begins with the approval of sectoral transfer plans in April and leads to the effective transfer of competences and functions in January of the following year (CND, 2006). Under the coordination of CND, administrative decentralization should thus lead to a situation where different levels of government coordinate their roles in a number of public policy

[20] Rodolfo Alva interview, 2005.

sectors. The general guidelines for what areas are to be shared and which remain centralized can be found in the legal framework, but the details are left to be determined in each sector, again under the coordination of CND and the broad supervision of Congress and the Council of Ministers (the cabinet). In reality the yearly sequence of transfers has been significantly delayed each time, often due to delays in ministries and in Congress (Propuesta Ciudadana, 2006).

In September 2002, the *Consejo Nacional de Descentralización* (CND) began to operate as an autonomous, inter-governmental agency leading the decentralization process and looking after the interests of all levels of government involved, according to the BLD. However, it had serious limitations in playing this role from the outset. Although the CND was ostensibly leading the decentralization process, it was an agency of inferior rank to ministries and it therefore could not effectively enforce the fulfillment of formal procedures and timeframes of administrative decentralization. The process of defining what is to be transferred is left fundamentally as a ministry initiative (Azpur, 2005) and there is no formal channel for subnational governments to effectively demand or press for particular authorities or resources, although they are encouraged to present a list of required functions each year. The obvious forum for such inter-government dialogue was CND but, in addition to its weak position vis-à-vis ministries and other factors outlined below, it has some other significant shortcomings; most basically, its governing board had greater weight of central government agencies than subnational governments (five versus four).

CND also had rather limited financial resources to fulfill its duties as a vital link between levels of government and to attend to the demands and various needs of over two thousand subnational governments; in 2005, when it was overseeing administrative decentralization and referenda for the creation of regions, its total annual budget was about nine million dollars and the resources it actually received were about one third less (MEF, 2007). Secondly, although its head had the rank of a minister, he only had voice (no voting privileges) in cabinet meetings and only began to participate in these in February 2004. This is very important because the Council of Ministers approves transfer plans and also because, even though CND was formally a decentralized agency within the Prime Minister's office (PCM), the relations between the two agencies have been very problematic because of clashing policy approaches, and none of the prime ministers during the Toledo administration assumed an active role in leading the decentralization process.[21]

Finally, according to its head between 2002 and 2006, the often embattled Luis Thais, CND had difficult relations with the Ministry of Economy and Finance (MEF), which openly opposed several decentralization efforts and made difficult obtaining resources for various important tasks because of the contrasting approaches of these agencies (Thais interview, 2006). One area in which CND was formally supposed to be active, but could not operate because of a lack of resources, was evaluation: monitoring the impact of

[21] Luis Pacheco interview, 2004.

transfers and the way in which regional and local governments assumed new policymaking functions. Until 2006, no government agency was clearly responsible for this important policy activity, although since 2004 the national Public Ombudsman's Office has a section devoted to governance and decentralization issues that provides some support to subnational governments in specific issue areas, generally aiming at improving government practices.

In addition to the significant limitations under which it operated, the policy approach of CND to the decentralization process was itself questioned. Many considered it to have a distinctly top-down, "outdated" state-planning outlook on reforms that put it at odds with subnational governments, with the central government technocrats that had participated in the design of decentralization, and even with IFI's that were looking to financially support the reform process; the CND head, Luis Thais, had previously been an official in the government planning agency, INP, that had designed much of the late 1980s regionalization experiment. Additionally, there were tensions within the institution as many top positions were occupied by members of the ruling party, PP, who were often at odds with people appointed by the agency's head and with people from the PCM team that briefly worked here in 2003.[22] Finally, people in Lima and in the interior hold that CND's limited efforts at capacity building and dialogue were focused on regional governments and not municipalities; moreover, its communications strategies towards subnational governments and ordinary citizens have been considered highly ineffective

[22] Luis Pacheco interview, 2004.

(as expressed in Pacheco interview, 2004; Alva interview, 2005; Zas Friz interview, 2004).

While in early stages CND basically implemented ministries' proposals, in mid 2005, near the end of the Toledo administration, CND actually acted—presumably under pressure from above—to hold back on the transfers in education and health that each ministry had proposed for 2005 and 2006. It approved multi-annual (2005-2009 and 2006-2010) transfer plans that delayed the start of proposed education transfers for 2006 (effectively, after the end of the Toledo administration), and, around August 2005, belatedly approved the 2005 annual plan with only 13 of the 15 health transfers that the ministry had proposed (Propuesta Ciudadana, 2005; Vigila Peru, 2006).

The BLD states that Congress' Decentralization and Regionalization Commission is to be informed of progress in decentralization by CND annually. This commission formally plays a high-level monitoring role and could conceivably intervene to change the rules of the process but did not do so in the 2003-2006 period. After the short-lived pro-decentralization front pushed for the start of reforms, Congress has ceased to be a leading actor in decentralization, as evidenced by its handling of the LMG debate and formulation.

On the other hand, while on paper it is not defined as a key actor in decentralization, the Ministry of Economy and Finance (MEF) plays a pivotal role during implementation in

reality (as it did in aspects of policy formulation), ultimately being able to veto or modify aspects of reforms that it disapproves. Especially after the structural adjustment reforms of the early 1990s, MEF has had great power over other Peruvian ministries as it strictly supervises and controls planning, budgeting and the execution of public financial resources. Regional government and ministry officials alike are of the opinion that MEF decisions are key to moving forward with decentralization and, when leadership has been lacking elsewhere, it often appeared as though MEF was leading the process by default as it has the final word on making budget transfers effective or releasing funds for important activities in capacity building. On the other hand, it does not play a significant role in directly defining or influencing sectoral policies; rather, MEF is a strict enforcer of budget and administrative rules (including standards for investment project approval through the SNIP system) that is often seen as unreasonably inflexible.

It could be argued that MEF has actually played a significant and relatively independent role in shaping decentralization even before the inauguration of regional governments, as it carried out some pilot programs on local participative budgeting based on experiences in the 2000-2001 transition government, as well as capacity-building activities in related issues. Most tellingly, MEF has proven powerful enough to unilaterally block fiscal decentralization, as it did in the eve of regional referenda in 2005: it did not make available the fiscal incentives (i.e., steps towards real fiscal autonomy) that under law

should have been offered to the larger regions that were to be formed (Propuesta Ciudadana, 2006).[23]

As mentioned, the *Consejo de Ministros* (Council of Ministers, or the cabinet led by the Prime Minister) can itself be considered an actor in decentralization implementation as it plays an important role as it approves the annual sectoral transfer plans of individual ministries, which were coordinated by CND. Therefore, between 2003 and 2006 the annual transfers and accreditation requirements have been initially determined by each ministry, then put together by CND and finally have required the approval of the cabinet. However, no Prime Minister assumed the leadership of decentralization during the Toledo administration.

Regional governments have been very critical of the role of CND from the outset, and as a result of early conferences in 2003 there were several joint proposals of regional presidents to bypass CND altogether and directly negotiate the terms of decentralization in a new forum involving the national president (Pacheco interview, 2004; Propuesta Ciudadana, 2003). At an early stage, regional presidents appeared to emerge as a powerful new political force. However, their unity and legitimacy as a political force has been weakened by corruption scandals. Even in 2003, several regional presidents were accused of corruption, and APRA member Freddy Ghilardi of the Áncash region was the first one to be removed from office—during his first year in power (Caretas, 2003).

[23] Luis Thais interview, 2006.

Moreover, the early part of their administrations were busy times as regional officials had to adapt the organizational structure and resources of dependent regional authorities (CTAR), on the basis of which they were created, to the new legal requirements for regional governments, initially receiving budgets that were not significantly higher (only a 6% increase on the whole) than those of CTAR (Propuesta Ciudadana, 2003).

Local governments have had similar problems in having their views heard and considered in the decentralization process, but with challenges accentuated by the inherent difficulties in a heterogeneous group—in terms of their status as province or district jurisdiction, size and needs of population served, financial and human resources, among other factors—acting as a united front, and by CND's and ministries' greater attention to regional government issues. The 2004 and 2005 annual transfer plans contemplated no transfers for municipal governments and, on the whole, administrative decentralization has had very little impact, even on a formal level, on local governments. For example, the mayor and the municipal general manager of the local government of Independencia (in the sierra region of Áncash), which has been nationally recognized awarded for its good government practices, considered that administrative decentralization has not been felt at all in their district of 70,000 people, and they had never been approached with regards to the decentralization of social programs.[24]

[24] Alfredo Vera interview, 2006; Eduardo Mauricio interview, 2006.

Two other sets of actors have played important roles in decentralization: civil society organizations (especially "watchdog" groups) and development cooperation agencies. Indeed, civil society organizations like Grupo Participa Perú (a national network of research centers and NGOs) have played a role in analyzing and informing about the progress of reforms and their impact that has not only complemented official versions but, given the weaknesses of CND, in fact have played a needed role in monitoring and evaluation that the state has neglected. International financial institutions, most notably the Inter American Development Bank, have provided the government some financial assistance for decentralization, while bilateral agencies like USAID (through the PRODES initiative) and the Netherlands' SNV have been active in fostering dialogue about reforms and in assisting capacity-building activities in subnational governments. However, there has been little or no presence of international cooperation for decentralization in the ministries implementing reforms in specific policy areas.

Peruvian ministries at a glance

While, as seen above, there are several important actors in the process, the rules for implementation suggest that, in practice, the most influential actors in shaping the content of administrative decentralization in Peru are the ministries themselves—the very organizations that are to eventually relinquish authority and resources. As directed by national decentralization laws and by CND norms, the formal transfers (actual or planned) to regional and local governments so far have included competences within the

authority of 12 ministries, nine of which are ministries that should delegate policymaking authority in their fundamental areas of decision-making.

Of the 12 ministries listed in annual transfer plans, three cases are not considered by this study. In two ministries, the mandate of administrative decentralization does not apply to their main areas of policymaking, and thus there is no reason to expect coherent sectoral decentralization policies but, rather, only specific plans for transferring out individual projects or offices. In the cases of MEF (whose key administrative, regulatory, budgeting and planning competences are not subject to deconcentration or delegation) and the Presidency of the Council of Ministers (basically, an inter-ministerial coordination entity), the transfers included in annual plans are of areas that are only marginally related to their primary policy responsibilities. These include the regional administration of public lands, in the first case, and disaster prevention, humanitarian assistance and some functions for defining territorial delimitation and some environmental standards, in the second case.

A third ministry, *Ministerio de la Mujer y Desarrollo Humano* (MIMDES), was, during the Toledo administration, basically a loose conglomeration of well-established social programs like the social fund FONCODES and the food assistance program PRONAA. The transfer of these individual programs to local governments was fundamentally defined at the central level even before implementation effectively began, so the discretion of sectoral policymakers was quite restricted. Moreover, in implementing

transfers to subnational governments there was very limited or no coordination between the programs that formally belong to this ministry,[25] so that it is difficult even to depict this as a single, coherent policymaking agency in the field of decentralization.

Peruvian ministries are administrative units, based in Lima, in charge of national policymaking in one or more public policy fields, and their head is a minister who sits in the cabinet or Council of Ministers, which in turn is headed by the Prime Minister (*Presidente del Consejo de Ministros*). Vice ministers are second in rank to ministers, vary in number by ministries, and usually are in charge of sub sectors or specific policy sectors within ministries; below vice ministries there are such levels as *Direcciones Nacionales*, which are generally more involved in the day-to-day operation of sub-sectoral processes. Ministries also have *Direcciones Regionales*, which, as previously mentioned, are deconcentrated instances in each region and which are accountable (since 2003) to both the ministerial hierarchy and to regional government officials. Thus, the organizational structure of ministries has some broad similarities across cases, but there are also many exceptional or unique arrangements within ministries, such as special agencies (such as *Organismos Públicos Descentralizados*, OPD), projects or programs that do not fit neatly into standard hierarchies. As mentioned earlier, until late 2007 there was no current legal framework defining organizations in central government in a way that is compatible with the ongoing decentralization process or other reforms. The most

[25] Eduardo Sáenz interview, 2006

recent relevant reference for the 2003-2006 period is a law from 1990 that reflected a very different context, including the regionalization program of 1989-1992.

The authorities and resources that ministries hold vary significantly in policy sectors; this variation is not only related to the character of each policy area, but also to previous reforms of the public sector that affected the roles of some ministries in particular. For example, after structural adjustment and a "first wave" of neoliberal reform in the early 1990s, the active role of the state in productive activities was virtually terminated, and policymaking in such sectors as fishing, mining and industry, among others, became restricted to regulatory, advisory and supervisory roles. Thus, for instance, what was formerly the Ministry of Industry became a small Vice-ministry of Industry within a small multi-sector ministry (Ministry of Production).

At the start of the Toledo administration, there were some technocratic proposals for relatively substantial state reform, involving significant modifications of ministries, but this proved to be politically unviable.[26] Instead, there were far less profound changes in the line-up of ministries that basically sought to put together more similar sectors under the same administrative unit and in some cases return to how policy sectors were arranged before the Fujimori years. This involved shifting some entire vice-ministries from one ministry to another, rather than any substantial changes to existing hierarchies or any attempt at "reengineering" the state. Thus, housing and construction sectors were

[26] Rudecindo Vega interview, 2006

separated from transportation and communications and became their own ministry; foreign trade and tourism were separated from industry to become MINCETUR; and industry was matched with fishing within a new Ministry of Production. In the case of social programs at the former Ministry of the Presidency, they were grouped under the Ministry of Women's Affairs and Social Development (MIMDES).

Ministries, then, compose a heterogeneous group. This study analyzes reforms on the basis of policies observed in nine ministries in charge of sectoral policymaking. What are the key differences between them? A relatively widespread, though not quite "official," classification divides Peruvian ministries into three categories related to the policy fields they attend: social, infrastructure and productive ministries. In this study, this type of classification is taken as an initial reference and modified on the basis of some major indicators, which roughly do justify grouping ministries in accordance to the policy fields they attend. The comparative data is shown on Table 4-A, and it considers total budgets, capital investments (generally higher in fields where the state still provides basic infrastructure) and expenditures in salaries and worker benefits (higher in social sector ministries with large service delivery sectors and correspondingly large payrolls)

Table 4-A: Comparative indicators of ministries in charge of sectoral decentralization
Budget data from 2006, in millions of *nuevos soles*
(3.2 *nuevos soles*=US$ 1)

Ministry	Total expenditures	Capital investments	Salaries and worker benefits
Production	119	3.4	29
Commerce & Tourism	171	25	7.3
Energy and Mines	222	109	59
Labor and Employment Promotion	244	186*	17
Housing, Const. & Sanitation	468	371	22
Agriculture	842	423	66
Transportation & Comm.	1299	828	87
Health	2530	105	1054
Education	3314	69	1700

* Most of this amount is actually directed to temporary employment programs.

Source: Sistema Integrado de Administración Financiera (SIAF) data base at the Ministerio de Economía y Finanzas website (http://www.mef.gob.pe)

A first group corresponds to the ministries in charge of sectors where the state chiefly plays a *promotional* role (the former "productive" sectors of the state). This includes sectors that were affected by neoliberal, privatizing reforms in the early 1990s; some of their activities were also deconcentrated through regionalization in the late 1980s. In the two most characteristic promotional sector ministries, the state plays a mostly regulatory and advisory role vis-à-vis the private sector, and these agencies have small bureaucracies, small investments, and small budgets. These are the Ministry of Production (PRODUCE, which comprises the Industry and the Fishing vice-ministries), and the Ministry of Foreign Trade and Tourism (MINCETUR, which includes the Trade and the Tourism vice-ministries).

Two other ministries also fall in the promotional category, though less clearly. The Ministry of Energy and Mining, shares fundamental characteristics of these: on the mining side, it is a fundamentally regulatory entity, but on the energy side it is in charge of a significant infrastructure program of rural electrification. However, the ministry's overall size and its infrastructure component are significantly smaller than ministries of agriculture, housing or transportation (see description below). A fourth promotional agency, the Ministry of Labor and Employment Promotion (MTPE), is also somewhat of a hybrid, of the social (see description below) and, more predominantly, the promotional ministry categories. On one hand, the bulk of the organization is chiefly concerned to regulatory and promotional issues in labor practices, small and micro-enterprises, and employment generation. However, MTPE has a significant budget component that falls under the "capital investment" category but is actually constituted by temporary employment programs that directly benefit thousands of people.

A second group of agencies includes what can be called the *infrastructure* sector ministries, where the state tends to make significant investments (over half of their annual budgets) in public infrastructure but without a service delivery sector that directly serves communities. Three ministries are thus characterized by relatively large budgets and medium to small bureaucracy: Ministry of Agriculture (MINAG), Ministry of Transportation and Communications (MTC), and the Ministry of Housing, Construction and Sanitation (VIVIENDA). As mentioned above, the Ministry of Energy and Mines shares some characteristics of ministries in this group.

Finally, a third group consists of the ministries in charge of the social sectors. In providing education and health the state runs large, intricate service delivery systems that directly attend beneficiaries throughout the country. Large budgets and a large bureaucracy, yet relatively small investments, characterize the ministries in charge of these sectors. Beyond the technical complexity of implementing reforms in education and health, reforms in these two sectors face important political challenges, as worker unions are relatively powerful stakeholders even at the subnational levels.

Bureaucratic politics and the stalling of administrative transfers

The transfer process as a whole has been subject to some critical assessments (Azpur, 2004; SNV/PNUD, 2006; Propuesta Ciudadana, 2004), although administrative decentralization in particular sectors has not been the focus of analyses of progress in Peruvian state decentralization. There is a prevailing negative view of the outcome of the overall transfer process until 2006, where:

> … gradualness has become a virtual stalling, not only because of the absence of political will but also because of the lack of a strategic project of the decentralized state that would be constructed. (Azpur, 2005, p. 6, author's translation)

In 2006, three years after administrative decentralization began, subnational governments had seen some formal changes but still did not possess the authority and resources to implement development policies within their territories. Especially after 2003, regional governments have been the main beneficiaries of administrative transfers (a total of 122

new “functions”), and yet they still do not have additional means to design and implement sectoral policies at the regional level.

The case for calculated self-interest of bureaucrats determining decentralization policies is quite strong if one looks at the aggregate of all transfers (and their real impact) as the outcome to be explained. Looking, first, at the predominant role of ministries in defining sectoral policies since 2003 and, second, at the lack of meaningful sectoral transfers in the period 2003-2006 as a whole, it is difficult not to point at a lack of political will to give up power of sectoral policymakers as a fundamental determinant of this outcome.

First, however, it is important to note that there is good reason to assume that those that have a stake in the delegation of authority and functions (rather than, for instance, external technocrats) can, indeed, influence the design of sectoral policies. In each ministry, there is by law a decentralization committee, *Comisión de Transferencias*, which defines competences and functions to be transferred and is presided by a vice-minister and generally includes various heads of *direcciones nacionales* and autonomous programs within a ministry. Thus, sectoral policies presented to CND can consistently reflect interests of policymakers that are part of a ministry’s permanent decision-making hierarchy, and who are therefore real stakeholders in any structural reform of an organization; in other words, these are decision-makers who stand to “lose” power.

According to a bureaucratic politics perspective (see Chapter 2), bureaucrats are political actors who are often engaged in conflictual interaction with other agencies. Each agency's objectives are basically linked to survival and growth of the organization, in terms of such things as budget allocation and autonomy. In this case, central government agencies (ministries) are required by law to initiate the decentralization of the sectors under their authority, which (in the case of a real transfer of decision-making power) would indeed entail threats to ministries' budgets and autonomy. However, no significant conflict with other agencies outside ministries has ensued as a result of resistance to reform, because ministries have been left with virtually free rein in deciding how to decentralize their functions. The agency leading the process (CND) is not in a position to pressure ministries into making more significant changes, and neither are subnational governments, who have no other institutional channels to negotiate or press for particular resources.

Some of the main evidence that supports this view has already been briefly mentioned when describing the beginning of implementation. First, while thousands of millions have been transferred in relation to specific programs and projects, there have been no significant budget transfers, in any of these nine ministries, that are directly linked to the annual sectoral transfers between 2004-2006 (CND, 2006; Propuesta Ciudadana, 2006). This lack of resources transferred in order to help subnational governments effectively execute their new functional responsibilities will be substantiated in the individual analyses of sectoral policies in the following chapters.

How do ministry officials justify not transferring additional financial resources? During interviews in PRODUCE and MINCETUR ministries—both of which had completed all or most planned transfers by 2006—officials stated that they could only make sure that authorities are formally transferred, but any financial resource transfers should be negotiated between subnational governments and the finance ministry, MEF.[27] Two general views shared by interviewees on this issue could be boiled down to: "It is hard enough for us to negotiate budgets on a regular basis with MEF" and "Regional governments have had an unreasonable expectation that new functions would come hand in hand with new resources."

However, in many cases the competences transferred do suggest a need for additional resources at the regional level while, at the same time, real decision-making power is absent[28] (Azpur, 2006). For example, in the case of PRODUCE and the industry sub sector that it is in charge of, decentralization mainly implies that regional governments become responsible for supervising, within each region, compliance with technical norms in private industry (regarding the use of chemicals, some environmental standards, etc.). Unlike the case of deconcentrated entities, regional governments may be formally autonomous but are subject to fines if they do not adequately report these activities. It is evident that adequately supervising a relatively high number of businesses within each

[27] Betty Contreras interview, 2004; Manuel Álvarez interview, 2004
[28] This was mentioned in several interviews, including those with Javier Abugattás, Eduardo Sáenz and Luis Thais.

region requires dedicated resources that are different from those responsible for formulating a regional industrial policy, which is also now a responsibility of regional governments that previously did not exist at a deconcentrated CTAR. In any case, regional policymakers are not authorized to truly regulate industries or to formulate technical standards; these activities are to remain at the central level.

Of course, the BLD *does* mention that the resources necessary to effectively carry out new responsibilities should be included with transfers (not just financial resources but also any necessary additional human resources and official documentation). However, there are no details in the framework regarding how this is to be achieved, even though ministries are ultimately responsible for formulating transfers that effectively increase the policymaking authority of subnational governments.

Even in larger ministries, there is a prevalent view that implementing the transfer of functions does not require them to ensure that the necessary budgetary resources to execute these functions are transferred to regions.[29] In the Ministry of Transportation (MTC), the view among policymakers is that subnational governments that are responsible for policies regarding roads within their jurisdiction should not expect additional budget resources but, rather, should be willing to devote resources that they receive through other mechanisms like the natural resource shared revenues (*canon*).[30] However, as mentioned in Chapter 3, these resources are not channeled to regions by

[29] Luis García-Corrochano interview, 2006.
[30] García-Corrochano interview.

criteria of need in any specific policy sector, and they are quite inequitably distributed, with some resource-rich regions receiving the bulk of transfers: 71% of the largest such transfers, mining revenue transfers (*canon*), went to just five regions in 2008 (MEF, 2008). This is illustrated in Table 4-B, which excludes three regions that received no resources from this shared revenue source. Moreover, the surge in these revenues is not sustainable in the medium or long term, as it is dependent on international commodity prices. Real fiscal decentralization, on the other hand, would be a more reasonable substitute if additional resources from central government budgets are truly not available or if what is available insufficient for subnational objectives, but the capacity of regional governments to introduce new taxes does not exist currently.

Table 4-B: Shared mining revenues transferred to regional governments in 2008 (nuevos soles)

Regional government	*Nuevos soles* transferred	% of total	% pop. under poverty line
GR CALLAO	471.68	0.00004%	n/a
GR PIURA	2,401.82	0.00022%	63
GR AMAZONAS	4,488.40	0.00040%	75
GR MADRE DE DIOS	11,949.38	0.00108%	37
GR SAN MARTIN	119,552.88	0.01078%	67
GR HUANUCO	1,932,144.25	0.17424%	66
METRO. LIMA	3,207,877.66	0.28928%	n/a
GR APURIMAC	5,636,224.40	0.50826%	78
GR AYACUCHO	10,640,734.69	0.95956%	72
GR HUANCAVELICA	11,697,472.96	1.05485%	88
GR ICA	17,163,035.44	1.54773%	41
GR JUNIN	30,807,468.85	2.77815%	58
GR LIMA	41,606,663.88	3.75200%	36
GR PUNO	43,023,170.18	3.87974%	78
GR CAJAMARCA	45,837,206.77	4.13350%	77
GR MOQUEGUA	52,961,183.74	4.77593%	29
GR CUSCO	60,601,615.13	5.46493%	75
GR LA LIBERTAD	66,199,758.05	5.96976%	52
GR PASCO	95,326,935.08	8.59639%	66
GR AREQUIPA	114,365,104.64	10.31321%	39
GR TACNA	177,899,102.31	16.04257%	32
GR ANCASH	329,874,076.36	29.74737%	58
Total	1,108,918,638.55	1.00	

Source: Ministerio de Economía y Finanzas database at: www.mef.gob.pe, and Participa Peru at: http://www.participaperu.org.pe.

The new transfers of authority have not only come without new funds, but also without new human or technical resources, with the exception of some cases of limited, general capacity building that have been implemented by CND, MIMDES or MEF. The general justification for this lack of additional non-financial resources is that the autonomous regional governments received the resources of the CTAR agencies that already held deconcentrated functions. Indeed, in the case of the promotional ministries, personnel and

physical infrastructure were already deconcentrated in the 1980s, and this is seen as a relevant development for the current transfers. In both the MINCETUR and PRODUCE ministries, officials readily acknowledge that decentralization has largely consisted of formalizing activities that were already being carried out at the regional level, albeit in a deconcentrated manner within their ministerial hierarchy.[31] There is no clear recognition that regional governments, as agencies leading regional development, require additional resources than those of deconcentrated agencies with little policymaking autonomy. In some ministries, the only tangible things formally transferred have been stocks of official documents.[32]

In contrast to this relative lack of interest in ensuring additional resources for effectively carrying out new responsibilities, the ministries, through CND, often set unreasonable accreditation standards for regional governments. Where regional governments only have four *gerencias regionales* that should handle more than twice as many policy sectors, each ministry can (and often does) require proof of human and technical resources dedicated exclusively to its activities as a requisite for accreditation. This can be unviable: For example, even for a well-run government in a relatively prosperous region like Lambayeque, it was impossible to fulfill the health sector's initial requirement of a vehicle, independent telephone system, and computers for health activities; the entire social policy department, inherited from the CTAR era, barely had these resources for all of its activities, and the entire regional government installations were served by a single

[31] Betty Contreras interview, 2005, and Carlos Ferraro interview, 2005
[32] Interview with MINCETUR official Betty Contreras, 2005.

central telephone system. In the case of the industry sector, one of the original requirements for supervision activities—which was eventually changed—called for regional governments to have night-vision equipment that even the central office in Lima cannot afford.[33]

Accreditation requirements have been a significant obstacle to more rapid administrative decentralization. In addition to the particular standards set by ministries, CND has a list of requirements that regional governments must fulfill in order to be eligible for transfers. As previously mentioned, only one regional government was certified for all the transfers that were offered up to 2006. Of the functions included in the 2004 plan, regional governments did not fulfill requirements for over one fourth (27%), and in the 2005 plan this figure rose to 37%.

Demanding accreditation requirements, however, should not be seen necessarily as a gratuitous obstacle to decentralization. Within central government agencies they are justified by a widespread perception, shared by many civil society observers, of a significant lack of policymaking capacity and experience in subnational institutions. In most ministries the perception, which from their perspective justifies holding back on certain transfers, is that regional governments are simply not ready to assume certain new responsibilities without negatively affecting overall performance of national systems. In PRODUCE, for instance, the national director of the industry sub sector saw himself as

[33] Eduardo Sáenz interview, 2006.

being responsible for ultimately deciding what functions could be transferred, and found that, while regional governments could assume supervision, data gathering and enforcement of technical standards for industry (which were set in the capital), they could not be trusted to appropriately analyze the information gathered on regional industries, so this would have to continue at the central level for the foreseeable future.[34] In education, as well, the view from academia and civil society often coincided with the Ministry of Education perspective that regional government staff still lack the technical expertise to assume greater responsibilities in such a complex sector.[35]

However, even if ministry officials have some basis to assume that subnational actors must first be properly qualified to receive greater responsibilities and resources, their overall policies do not seem to reflect a preoccupation with ensuring the performance of policymaking systems. Requirements for accreditation may have often been stringent, but there have been no complementary initiatives from ministries (Health has been cited as the exception) for providing or even assessing needs for capacity building, additional human and technical resources or, especially, financial resources to help overcome limitations.

Even though officials involved in administrative decentralization do not directly describe their organization's policies as the result of unwillingness to give up valued resources and authority, resistance to decentralization is not always a hidden or implied factor behind

[34] Carlos Ferraro interview, 2005.
[35] Jorge Capella interview, 2005.

unsatisfactory progress. In fact, several interviewees have identified particular areas within their own ministries, or in other agencies, that generally resist decentralization simply for fear of losing jobs, funding or political clout. Some examples are listed in the following paragraphs.

As mentioned, there often are units within ministries that have enjoyed considerable autonomy. A good case is in the Ministry of Agriculture (MINAG), which even other ministries consider an example of particular organizational complexity. In addition to the regular ministry hierarchy and regional offices, this ministry must oversee the decentralization of four autonomous agencies (*Organismos Publicos Descentralizados*, OPD) and six national programs and projects, all of which are have their own budgets and most of which have separate regional offices throughout the country. According to an official at the MINAG unit that coordinates decentralization, in all these agencies there is resistance because of fear of being transformed by the process and thus losing jobs, influence and resources that they have enjoyed for many years.[36]

Another example is within PRODUCE, which had formally completed most of its transfers by 2006: there is a perception internally that officials in the fishing vice-ministry (one of two in PRODUCE) tend to be inherently reluctant to give up control, despite being a sector where supervision of relevant activities is more straightforward

[36] Carlos Izaguirre interview, 2006.

than in the industry sector (the other sector under this ministry). They were described as traditionally being "controlistas."[37]

In the Ministry of Housing (VIVIENDA), meanwhile, resistance to give up authority and money in some areas was of a slightly different nature. Former minister Rudecindo Vega recognized that it was understood that, because of their potential political value to the presidency, several programs under his ministry's authority simply were not to be decentralized, including INFES, which had been a large program in charge of educational infrastructure at the Ministry of the Presidency during the Fujimori years, and INADE, in charge of several infrastructure projects, some of which were transferred individually in 2003.[38]

The powerful position of ministries vis-à-vis the key agency in charge of conducting and supervising administrative decentralization (CND) has determined that ministerial policymakers have been able to effectively implement several mechanisms in order to resist decentralization. For the cases of transfers that were determined in the initial framework for reform, these have included unfunded mandates (like transferring responsibilities for planning or supervising certain activities without providing necessary resources to regions that do not enjoy national economies of scale) and simply formalizing what had already been taking place in regions, albeit within a logic of deconcentration rather than delegation. For the case of transfers not contemplated in the

[37] Manuel Álvarez interview, 2006; Carlos Ferraro interview, 2006.
[38] Rudecindo Vega interview, 2006.

initial framework, ministries have been able to simply exclude certain functions or programs form annual transfer plans; this can effective as beneficiaries are not able to effectively challenge such proposals.

Does bureaucratic politics tell the whole story?

The first part of this chapter told the story of how ministries came to be the predominant actors in implementing administrative decentralization in Peru. Key factors behind this predominance of bureaucratic actors in shaping decentralization at this stage include the lack of detailed guidelines for sectoral reform in the initial framework (as the literature on implementation would have predicted), as well as the effective weakness of the institutional framework for supervising reform that was put into place.

At an aggregate level, the key results of administrative decentralization between 2003-2006 (principally: a third of planned transfers were not carried out, no evidence of significant additional resources being assigned for each region to fulfill new duties at least as effectively as central government) can be accounted for quite well through the political lenses of bureaucratic politics, and knowing the leading role of bureaucratic actors in charge of decentralizing policy sectors under their control. Unwilling to give up authority or resources currently enjoyed at the central level, ministries have had the power to initiate meaningful reforms but actual transfers have been slow and incomplete, while no consistent efforts have been made to ensure appropriate resources for carrying out new subnational functions; the accreditation system is readily seen as an instrument

that can be used to impose unreasonable conditions and delay reforms. Entire programs and projects may have been transferred, but no financial or other resources have come that would facilitate the roles of regional policymakers so that they may be better able to incorporate those new resources into regional development strategies.

Does an approach inspired by bureaucratic politics (BP), then, tell the whole story? It certainly can provide a quick account of the main, aggregated outcomes of administrative decentralization. However, as we have seen, Peruvian ministries are heterogeneous in terms of their general role in public policymaking and the economy, their sheer size in human and financial terms, and the characteristics of their service delivery systems. Would calculated self-interest produce similar transfer policies and approaches across the board? While it is clear that general reaction to reform efforts will vary in different scenarios and some models of these have been described (for example, in Thomas and Grindle, 1990), a careful review of the decentralization and institutional reform literatures yielded no readily applicable model of how bureaucratic politics, or resistance in general, can vary in its magnitude or consequences across different agencies in the context of implementation, in the particular context of decentralization. However, the factors that are crucial to an agency's power and status (budgets, discretion over the use of funds, control over non-financial resources) do vary significantly in different types of ministries, and this suggests that, despite the apparent overall success in resisting reform, the effectiveness of instruments to resist reform should vary by ministry. Moreover, while

accountability mechanisms aimed at ministries are weak overall, ministries could conceivably have varying degrees of capacity to escape such mechanisms.

The size and the nature of the authorities and resources at stake in decentralization, as well as the level of discretion over the use of such resources, appear as the best available factors that could conceivably predict variation in the approaches to the transfer of functions. Some conditions for administrative decentralization, of course, are similar in all cases: for example, initiating changes in budget allocation, to the benefit of subnational agencies, would similarly involve negotiations with the powerful MEF, which ministries in general tend to avoid when possible. In all cases, too, transferring personnel or other resources would involve administrative paperwork that may be time-consuming and unattractive, although this would be a far more forbidding task for a large, intricate bureaucracy.

In any case, decentralization directly challenges the position of power of decision-makers in national ministries, even if their situations and what is at stake will vary. In light of this, resistance would be expected in all ministries, even among decision-makers in *promotional* ministries that control small, deconcentrated bureaucracies as well as budgets that were reduced to near-minimal proportions years ago. Moreover, although they can make important decisions affecting businesses and other actors, they do not make many decisions directly involving the use of large sums of money or over coveted

investment projects; their positions are not quite the most visible or most politically attractive, either for policymakers themselves or for political actors outside the ministry.

While few signs of a real will to decentralize should be expected in promotional ministries, a BP-type perspective would lead us to consider any concession to decentralization even less likely in other types of ministries, infrastructure and social, where there is control over larger resources and influence that could be coveted by other political actors; after all, BP focuses on inter-agency conflict and negotiation as determining policy outcomes. In infrastructure ministries, budgets are large and many decisions are made about the use of large sums of money and about characteristics of infrastructure and other investment projects. Bureaucracies are relatively small, yet these positions are arguably more politically attractive than those in promotional ministries; because of this, we would expect them to be even more carefully guarded. Still, it should be remembered that most decisions regarding budgets and investments face tight control by MEF officials and guidelines, so discretion is limited.

Finally, the ministries in charge of social sectors control very large payrolls and complex service delivery systems. These ministries have had centralized bureaucracies for many decades and decision-makers here have authority over services that reach a large part of the population, and their regional and local offices can be relatively powerful bureaucratic actors. Because of the size and complexity of such delivery systems, there are many vested interests and stakeholders in any changes in these ministries, from

teachers' unions to deconcentrated agencies throughout the country. With many actors with potentially conflicting interests, any changes by top policymakers could alter delicate balances of power in unpredictable ways. Indeed, international experience has shown that attempting any structural changes in these sectors of government is particularly challenging because "of formidable political obstacles as well as technical and financial reasons" (Nelson, 1999, p. 92).

Thus, even though we propose that a BP-type approach leads us to expect resistance in any sector facing decentralization, if bureaucratic self-interest should translate into different decentralization policies by sectors, it would be reasonable to expect decentralization initiatives to make the least headway in social ministries, followed closely by infrastructure ministries and, finally, in promotional ministries.

Does a closer look at individual ministries reveal differences between types of ministries that can be accounted for by the differences in the resources and authorities at stake? The next chapter features sections that will each briefly describe, from a bureaucratic politics perspective, the transfer policies of three ministries, each one belonging to one of the three distinct categories, to determine how well this approach accounts for observed policies. In contrast to the apparently intuitive BP-type account of the overall results of administrative decentralization, when looking at individual cases self-interest appears to have more limited potential to explain variation in sectoral decentralization policies.

Chapter 5 - Bureaucratic politics and sectoral implementation: A look at individual ministries

This chapter builds on the main insights of the previous one by examining policymaking in individual ministries, thus continuing to address the question of whether the challenges to administrative decentralization were uniquely the result of expected resistance to reform at the ministry level—as the bureaucratic politics literature would suggest—or if other factors were also significant. It seeks to understand to what extent such an approach can provide a robust understanding of the dynamics of reform in Peru, and it does so by succinctly examining, from a bureaucratic politics perspective, the transfer policies of three ministries—each one belonging to one of the three distinct categories of ministries—to determine how well this approach accounts for observed policies.

Bureaucratic politics and decentralization in a promotional ministry: MINCETUR

The ministry of foreign trade and tourism (MINCETUR) is a small agency—the smallest within the group we have defined as promotional ministries—that was the first (and only) ministry to formally complete all planned transfers of functions by 2006. The policy sectors it has national authority over are international commerce and tourism, where the latter includes *artesanía*, a sub sector in charge of traditional cottage industries, seen as intimately linked with tourism, for which several specific functions are defined.

In its current form, MINCETUR only began to exist in 2002 during the Toledo administration, when its two vice-ministries were removed from a larger ministry

(MITINCI) that also included the industry sector and fused into its current organization. Among its responsibilities in the commerce and international trade policy area are export promotion and international trade negotiations (in coordination with MEF and the Ministry of International Relations), and regulation of foreign trade. In the tourism side, it promotes and regulates activities related to tourism, including the promotion and regulation of cottage industries related to traditional production and tourism (*artesanía*).

According to the legal framework, MINCETUR has exclusive and shared functions in the areas outlined above (CND, 2006a). The LRG lists 35 specific functions that regional governments should carry out, in accordance to national policies, in the sectors under MINCETUR authority. These include functions in commerce, tourism, and *artesanía*, the latter basically referring to cottage industries in the small-scale production of traditional items that include jewelry, pottery and similar goods. In commerce, the number of responsibilities mapped out is the smallest and yet these are quite broad-ranging, including: regional trade policies, policies for enhancing competitiveness through capacity-building and technology transfer, development of export capacities and promoting regional exports, identification of trade opportunities and opportunities for private investment in regional projects, and providing a number of services for businesses oriented towards commercial and export activities.

In tourism and *artesanía*, regional planning and policymaking functions analogous to those mapped out for commerce are described, although supervisory and regulatory

activities are also laid out and many other, even more specific ones are added. For example, in tourism there are specific mandates to coordinate policies with local governments, to keep an updated regional directory of tourist service providers, to protect and assist tourists, and to look after environmental compliance in tourist areas. Regional governments may also enter into cooperation agreements with international private and public institutions. In *artesanía*, the regional functions include several that are in essence policies for supporting and strengthening small enterprises: promoting formalization, private investment, technology transfer and capacity building among artisans (CND, 2006a).

All 35 specific functions identified in the LRG were formally transferred to all but one regional government beginning in 2004 and all transfers initiated then were concluded by 2006. What did this apparently impressive achievement really imply in practice? First, it should be understood during this period it was CND that coordinated directly with regional governments, not MINCETUR.[39] Each vice-ministry independently determined what transfers of functions it would offer regional governments and, as of mid 2005, there were no short or medium-term plans to make transfers to local governments or establish coordination mechanisms with them (even though tourism functions are also shared by local governments, according to the BLD).

[39] Contreras interview, 2005.

Regional governments had a very brief time period to fulfill the accreditation requirements set by MINCETUR. Because of delays in implementing the accreditation system, transfers were only begun effectively in May 2005, even though the 2004 transfer plan was supposed to be concluded by late July 2005. Despite the start of sectoral transfers, by mid-2005 several regions had not yet been generally accredited for beginning any transfers by central government (CND) so they were not even considered for specific sectoral accreditation when transfer began. At first, then, 19 regions were considered for sectoral accreditation and the remaining six were considered slightly later. Even though all regions eventually complied with requirements, by June 2005 only one regional government, Cajamarca, had been accredited for all sectoral functions, which basically consisted of verifying that regional governments had the "necessary logistics and space."[40] In other words, the actual accreditation process was completed in a rushed manner and within a very short time period in mid 2005 for 25 regional agencies, yet even in this context MINCETUR's requirements presented some significant challenges for the accreditation of regional governments.

In light of the delays—mentioned in the paragraphs above—in implementing the accreditation system and difficulties in the actual accreditation of regional governments, MINCETUR officials were "anxious" to finish the transfer process but were not able to complete it as rapidly as they wished. Indeed, a careful inventory had been made of all things to be transferred before the beginning of the process. However, even as

[40] Contreras interview, 2005.

accreditation began, in the case of commerce functions, their content and implications were "still not clear," as they were last to be proposed.[41] This is not surprising, since the commerce functions laid out in the LRG not only relate to MINCETUR's international trade policy authority but also to the promotion, supervision and regulation of commercial activities, which involve other agencies like MEF, the Ministry of Production, the tax authority, and others.

In general, these transfers effectively implied that regulatory authority and normative aspects would remain at the central level, as was confirmed by an official in charge of coordinating decentralization activities. More crucially, the transfer of personnel and other physical assets from Lima to the regions was ruled out because, in their view, in the late 1980s regional governments (and later CTAR) had received human resources and physical assets from Lima, and thus the necessary deconcentration had already taken place.

Therefore, what was left for transfer was basically just a formalization of regional governments taking over formally deconcentrated activities, and the additional physical transfer of stocks of official documents related to these "new" functions. The exception to these criteria was the case of the Lima metropolitan government and the Callao regional government, which were "more complicated," because there it was still necessary to

[41] Contreras interview, 2005.

transfer personnel, budgets and documents from central offices (Contreras interview, 2006). As late as 2008, this had not been implemented.

There is one apparent exception to these unfunded mandates in the sectors under MINCETUR authority and it is part of the COPESCO national program that is in charge of renovating and maintaining some important tourist sites. According to CND documents and MINCETUR officials, the authority and funds for the department of Cuzco were transferred to the Cuzco regional government and implied some 7 million soles in budget resources in the years 2004 and 2005. However, this is not a real delegation of policymaking authority, as even in 2007 all COPESCO activities continued to be coordinated from Lima.

If regional governments were to ask MINCETUR for additional resources for carrying out the functions transferred, the decentralization officer considered that there was is not much that could be done, as "MINCETUR tries to collaborate in what it can do despite the budget rigidities."[42]

MINCETUR appears as a case where there is little evidence of a will to work towards decentralized governance of the sectors under its authority. Its publicly available plans and strategies (most notably its 2007-2011 Strategic Plan, MINCETUR, 2006) still make little or no mention of regional policies, regional capacity building, or necessary

[42] Contreras interview, 2005.

coordination with regional governments (let alone local governments) in tourism, cottage industry or foreign trade policy and promotion. With the exception of promoting the design of regional export plans (16 were completed by 2006), the focus of MINCETUR's efforts aimed at regional governments has been on rapidly fulfilling the formalities of administrative decentralization, without a real assessment of regional capacities and needs, and, thus, without proposing any transfer of financial resources or capacity building activities. Moreover, it set accreditation standards that were not insignificant for transferring functions that were already carried out at a regional level by dependent agencies since the early 1990s and which, if they had been consistent with their reasoning about the lack of need for additional human resources and funds, should not have required verification by a third party.

This focus on fulfilling formalities and avoiding the transfer of human or financial resources is not unique to MINCETUR. PRODUCE, another small promotional ministry, also shows some of these features, as will be later discussed. In general, then, MINCETUR's approach to decentralization can be quite readily understood through bureaucratic politics lenses: it has shown a will to implement administrative decentralization in name only, rushing through formal steps without taking measures to truly empower subnational actors.

Bureaucratic politics and decentralization in an infrastructure ministry: VIVIENDA

The Ministry of Housing, Construction and Sanitation (VIVIENDA) is one of the infrastructure ministries, and, like MINCETUR, also assumed its current structure in 2002, as a new ministry was created on the basis of two vice-ministries from the Ministry of Transportation. These two vice-ministries (Housing and Urban Policy, Construction and Sanitation) brought with them, in addition to their regular structure of national offices, a number of special autonomous programs and projects. Moreover, VIVIENDA received significant projects from the Ministry of the Presidency, including large infrastructure projects under the previously described INADE program and educational and health infrastructure under INFES (CND, 2006b).

Because of the number of autonomous agencies and funds, VIVIENDA is a ministry with a complex organizational structure and which carries out very different types of activities. Among other responsibilities, it regulates and promotes housing, urban policy, sanitation and construction; oversees or directly executes infrastructure projects; and administrates public funds for financing housing and construction for low-income sectors. Thus, the ministry's policymaking outputs are heterogeneous, including sectoral norms, plans and programs; the formulation of legal agreements with public and private actors; promotion and dissemination of housing, urban policy, construction and environmental programs; the production of water for Lima through the autonomous agency SEDAPAL; the appraisal of real estate; and construction technology research (VIVIENDA, 2007).

The LRG lists eight specific functions of regional governments in the housing and sanitation sectors, and these are quite general as well as comprising aspects of urban policy and construction. What is most striking is that these seem to suggest a role for regional agencies as supporting rather than coordinating or supervising local governments. For instance, regional governments are to "support local governments technically and financially in the provision of sanitation services" and to "assume the execution of housing and sanitation programs at the request of local governments." Not surprisingly, then, the LMG outlines shared and exclusive functions of municipal governments in housing, urban development, sanitation and construction policies that do not seem to require a strong regional coordinating component (CND, 2006a).

These eight functions of regional governments in sectors under VIVIENDA were among the 185 functions that were to be formally transferred during the Toledo administration. By 2006, none was transferred or in the process of being transferred. As has been mentioned, sectoral transfers to local governments were not considered for this period.

In contrast, several projects and programs that were briefly under VIVIENDA were transferred early on, including nine large irrigation infrastructure projects in INADE that went to regional governments (2003-2005) and 29 smaller, post-earthquake reconstruction projects under ORDESUR that went to provincial municipalities in the south of the country as the agency itself was dissolved (2003). Many other projects in INADE, however, were not transferred, including several large projects that were

physically located in more than one region. INADE itself would later be transferred to the Ministry of Agriculture. Another unit that was formerly in the Ministry of the Presidency, the INFES agency for social infrastructure, was eventually transferred to the Ministry of Education rather than to subnational governments.

Of course, even the projects that were effectively transferred were not part of a strategy designed by the ministry or vice-ministry policymakers but, rather, were already being conceived as the agency was being created in 2002. This lack of even formal progress in sectoral transfers and the partial progress in transferring programs and projects seem, at first glance, evidence of great bureaucratic resistance to decentralization.

On the other hand, VIVIENDA's medium term national housing strategy for 2003-2007 (VIVIENDA, 2003) was much more explicit than MINCETUR's plans in presenting the strengthening of its sectors' decentralized governance as an important objective. In describing actions in each of the four areas under its vice-ministries, there are mentions of the need to have a well-articulated national system that incorporates regional and local actors, while it recognizes the current predominance of local government in these activities.

How much of VIVIENDA's actual decentralization policy outcomes in 2003-2006 are clearly a result of political or bureaucratic resistance to restructuring? Rudecindo Vega, who was minister in the last years of the Toledo administration, admits that there were

some projects and agencies within his sector that were politically sensitive and it was understood that they were not to be transferred. In some cases, the terms of transfer could not be agreed upon: the agency SEDAPAL, which provides water to Lima (and thus to almost one third of the country's population), had been requested by the Lima Metropolitan government; however, an attempt to reach a deal on its transfer could not be reached because Lima wanted complete control and not a partial transfer.[43] In the case of the valuable remaining INADE infrastructure projects, there was, on one hand, pressure from above (from the presidency) not to give out the entire agency but only some individual projects.[44] On the other hand, there was potential inter-regional conflict in defining how to transfer relatively large projects that were located in more than one region, and this was purposefully avoided.

However, Vega offers a coherent account of why sectoral transfers to regional governments were not carried out, as they were in other ministries, and it is not related to power politics. Unlike other ministries, VIVIENDA did not have an established network of deconcentrated regional offices when it was created. Its two vice-ministries had previously been part of a larger ministry that retained its regional offices and infrastructure. Thus, when VIVIENDA was created, the ministry had to create a national system that could involve regional and local levels, so a national coordination agency was

[43] Rudecindo Vega interview, 2006.
[44] Vega interview.

formed which, in turn, implemented 24 regional offices. These, in practice, generally only consisted of "one or two people and were barely equipped."[45]

Why was the presence of national housing, sanitation, urban policy and construction authorities virtually non-existent at the regional level up to 2002? The decentralization framework highlights the role of local governments in these fields because, to a large extent, it reflects how these policy sectors had evolved throughout the country. In fact, in the case of water and sanitation, the entire national provision system (SENAPA) was decentralized to local public providers in 1990, as part of the decentralization policies of the first Garcia administration. In construction and housing, also, in the 1990s the state had gone from centrally providing infrastructure to largely adopting a free-market approach where it mostly plays a regulatory and promotional role. In all these fields, local governments have, in the law and in practice, been the key actors in recent times (Vega interview, 2006).

Thus, unlike the case of MINCETUR and PRODUCE, there was virtually nothing in terms of existing authorities or resources to formally transfer from deconcentrated instances to regional agencies. Former minister Vega, who has been known as an advocate of decentralization before and after his tenure at VIVIENDA, argues that there was not much he could do in this period aimed at strengthening regional governments because most sectoral functions were to fall under the authority of municipal

[45] Vega interview, 2006.

governments and, more importantly, it would take time to develop a regional level of policymaking before there was anything that could be formally recognized or transferred.

Finally, it should be noted that VIVIENDA controls several visible, relatively autonomous housing and construction financing programs that local authorities have often sought to control. Why were these not decentralized? According to Vega, there are some technical issues that need to be considered. MIVIVIENDA, for instance, is a fund that helps to subsidize and finance housing and construction at favorable rates. However, programs like MIVIVIENDA are significantly funded by international cooperation (for example, from the IDB) and also involve directly private sector actors who receive incentives from central government. Unlike administrative programs, transferring such public-private programs would, according to Vega, require that local governments assume loans or match large amounts of money; when ministry officials had to explain this to local officials, they generally lost interest in requesting the transfer of such programs. In many cases, international cooperation or private investors would likely not be willing to negotiate individually with hundreds of local actors. In other cases, like BANMAT (Banco de Materiales, which finances construction materials for low-income sectors), it would be impossible to establish effective local-level “mini-banks” without losing considerable economies of scale.

Therefore, what at first might seem like a clear-cut case of unwillingness to give up power involves a more complex set of issues. When the framework for decentralization

was implemented, the policy sectors under VIVIENDA were functioning in ways that were not amenable to the relatively quick formalization of existing deconcentrated activities that was presented as decentralization in other sectors. A minister with relatively solid pro-decentralization credentials has provided reasonable arguments to the effect that it was beyond his or his predecessor's possibilities to promptly start a decentralization of functions to the regional level, given the circumstances under which the ministry began its activities. Bureaucratic resistance to giving up power, however, is clearly a consideration in some other aspects, as we have seen. Nevertheless, ignoring the particular non-political dilemmas outlined in this section by seeing the unimpressive results of 2003-2006 only through a bureaucratic politics account would evidently lead us to ignore many valid and practical technical considerations that are necessary when reforming a relatively complex ministry.

Bureaucratic politics and decentralization in a social ministry: MINEDU

The Ministry of Education (MINEDU) is the largest, and one of the oldest, agencies in the Peruvian state. It is arguably the largest service provider in the country, as it provides 85% of educational services in Peru and has over 320,000 workers in its payroll (MINEDU, 2007). While education at the primary and secondary levels is its primary policy field, MINEDU also has authority over national policies in higher education, scientific and technological research, culture, and sports and recreation. The latter, however, should be seen as rather marginal in practice to its key policy responsibilities considering the enormous scale of administrating public education services at the primary

and secondary levels; moreover, culture, sports and science and technology policies are more directly handled by small, autonomous agencies that are themselves under MINEDU authority.

Some gradual reforms aimed at improving the quality and efficiency of public education in Peru (one of the worst in quality in Latin America according to several international evaluations) started in 1994, yet the education sector was also the subject of a failed attempt at institutional reform "from above" in 1993 that sought to more fully involve the private sector in all levels of educational services, among other objectives (Ortiz de Zevallos et al., 1999). Not long after this, however, MINEDU organization underwent some structural changes. As a result of policy reforms from within the ministry in the 1990s, MINEDU activities were reorganized into its two current vice-ministries, one of which focuses on administrative matters (*Viceministerio de Gestión Institucional*) and another that handles matters related to educational practices and contents (*Viceministerio de Gestión Pedagógica*).

The original state decentralization model, as reflected in the BLD, contemplated reforms in the education as part of a fourth and last stage of administrative transfers. However, in practice, political pressure in late 2002 to begin transfers as soon as possible led to the LRG establishing that all sectoral transfers should begin concurrently. In the LRG, regional governments are assigned 21 specific functions within the policy sectors under MINEDU authority, which, as in other cases, describe competences and functions with

rather unequal levels of specificity. These include all stages of policymaking regarding regional policies in the areas outlined above, supervising and evaluating education services provided by local governments, and participating directly in the execution of some education programs, such as literacy programs. In addition, these functions include roles in higher education at a regional level and in capacity building of local educational agencies. An extensive involvement of regional governments in providing, supervising and coordinating education services is thus established in the LRG (CND, 2006a).

On the other hand, the LMG states that local governments are to become responsible for providing local services in education, culture, sports and recreation, while 20 specific competences and functions (shared with central and regional government) are listed. These include not only the supervision and coordination of education services within their jurisdiction but also the formulation of local education plans and the inclusion of locally relevant contents in education services. While several of these provisions do imply instances where coordination with regional and central government would be necessary, in others one can see a fundamentally local dimension of policymaking, such as the construction of playgrounds and other public paces, as well as promoting citizen participation in a local educational council (CND, 2006a).

Therefore, although leaving much to interpretation of implementers, the decentralization framework lays out intensive, and coordinated, roles of autonomous regional and local governments in providing and supervising education and related services that are

regulated by MINEDU. On the basis of the decentralization framework, CND considered that, beginning in 2004, there were a total of 21 sectoral transfers to be made to regional governments, and 19 each to province and district level municipalities.

However, MINEDU did not propose to begin even formal transfers of deconcentrated regional activities until 2005, and none of these transfers were underway until mid-2006 (the end of the Toledo administration), when the 2006 annual transfer plan began to be implemented; it included only five transfers to regional governments and none to local ones (Participa Perú, 2006; CND, 2006). In contrast, the Ministry of Health had already completed a number of transfers by 2005.

According to the leading decentralization watchdog organization, by the end of 2005, advances in education decentralization had been "practically nil." (Grupo Propuesta Ciudadana, 2007) Why was the beginning of transfers held back in MINEDU? Political resistance to change is a factor that is often discussed in education reform, and this has certainly been the case in many situations in Peru. A former education vice-minister considers that there is inherent resistance in the Executive to both "nominal" transfers and real transfers of power and capacity building strategies in education (Iguíñiz, 2007). One factor explaining reluctance to implement changes in education is a well-organized and strongly politicized workers union (SUTEP), which has actively opposed reforms that give greater power to local governments and, as in the derailed 1993 education reform under Fujimori, has framed such efforts as threats to the employment stability of

education workers (Ortiz de Zevallos et al, 1999). Moreover, this union is still considered to be well organized at the regional level and ready to challenge initiatives by relatively weak regional policymakers.[46] Thus, there is a fear that regional policymakers, with only incipient social sector policymaking capacities, would not be in a situation to deal with pressure from well-organized regional level unions and other political interest groups.

Interest in maintaining the *status quo* is also evident within the ministerial hierarchy that is organized around the delivery of basic educational services. In practice MINEDU has maintained a network of intermediate level agencies, such as regional and sub-regional offices (*Dirección Regional* and *Dirección Sub Regional*) that have often wielded their administrative discretion to resist the empowerment of local level actors (such as the principals of individual schools) since the late 1990s (Vásquez and Oliart, 2007).

Furthermore, independent education experts find that central level policymakers in MINEDU are reluctant to transfer functions to regional governments in large measure because there is a fear of "atomizing" the education system by giving more power to regional officers, and thus having national policies lose coherence.[47] There had been some dialogue between MINEDU officials and regions before the end of the Toledo administration, but still transfer plans presented to CND were essentially designed in a top-down manner. At the same time however, a former consultant at MINEDU finds that

[46] Jorge Capella interview, 2005.
[47] Capella interview.

there was not a single model or a single unifying vision of decentralization at MINEDU.[48]

While formal administrative transfers were not made effective during the Toledo years, in budget terms, regional governments have managed large sectoral payrolls since 2003. However, this is not a reflection of decision-making power; according to an education expert, who was head of the influential civil society institution Foro Educativo, at the outset of decentralization reforms, regional offices only carried out the most mechanical activities relating to these regional payrolls of MINEDU employees, and were neither allowed nor trained to carry out more sophisticated programming or budgeting activities.[49]

Despite all the apparent reasons for framing developments in education from a BP perspective, when trying to account for the lack of progress in administrative transfers in education it is necessary to look for potential sources of resistance to change and, in doing so, one will notice a peculiar nationwide system of deconcentrated decision-making and administrative structures that is still under implementation, and it is organized around the basic, community-level service providers in this sector. This complex system is not present in other types of ministries and, moreover, it has a relatively recent history.

[48] Karima Wanuz interview, 2005.
[49] Capella interview.

This complex architecture can be traced back to MINEDU laws in 1996 and 2001, and it has been undergoing changes in the last decade. According to current legislation approved after the beginning of reforms in 2003 (*Ley General de Educación*, LGE), the decentralized education sector agencies at the subnational level are to be of three types: regional offices (*Direcciones Regionales*), local offices (*Unidades de Gestión Educativa Local*, UGEL) that are dependencies of regional governments, and, finally but playing a fundamental role, the educational unit providing services (*institución educativa*), such as a primary school (MINEDU, 2007). In this context, local government plays a rather ambiguously defined coordinating role and is not in charge of local services. For each level of policymaking, planning instruments are defined, such as *Plan Educativo Nacional* (PEN) at the central level and, at the lowest level, *Plan Educativo Institucional* (PEI). Finally, there are corresponding participatory instances for consultation and planning at different levels, including regional and local participatory councils (COPARE and COPALE), with an autonomous national council, *Consejo Educativo Nacional*, at the top of this system (MINEDU, 2007).

Therefore there is, at least ideally, a recently formalized national decentralized structure for governance of the educations sector, established in the 2003 LGE. Moreover, some progress has been achieved in implementing participatory processes and planning instruments in most regions in recent years, as participatory regional education policies began to be implemented by late 2006 (Participa Peru, 2006). What is the relation of the evolution of this model of the education sector and the mandates of the decentralization

framework? In light of the delay in formalizing deconcentrated activities as transfers to regional government, one could argue that this was simply a manner of non-compliance with the new decentralization mandate, where MINEDU did not even formalize deconcentrated activities and chose to keep decision-making within its defined parameters.

The political difficulties in executing changes in education are well known in Peru, and it is possible that top authorities would purposefully avoid even the most formal changes in order to avoid conflict with powerful stakeholders within the sector. The complexity of the administrative structure of the sector itself is, at the same time, a factor that could discourage reforms since new ministers and other authorities that come in tend to be "overwhelmed even by the volume of daily tasks to be dealt with."[50]

However, the existence of the complex education system laid out in the LGE is really the result of an evolving system and not of a static structure that is shielded from any types of reforms. The processes leading to the sectoral governance system laid out in the LGE, which has been only partially implemented so far, had their roots in reforms going back to at least 1994, and which were influenced by international trends towards the decentralization of education in order to improve quality and efficiency, among other factors (Vásquez and Oliart, 2007). In 1996, education minister Dante Córdova began low-profile reforms that were meant to enhance the autonomy of schools at the district

[50] Capella interview, 2005.

level and, in particular, to foster the decision-making capacities of school principals (*directores*) and community organizations, such as parent-teacher associations (APAFA), somewhat to the detriment of intermediate organizations at the regional and sub-regional levels. In 2001, in the context of the democratic transition government, another MINEDU law oriented reforms in this direction, although with greater specificity. These measures, which have slowly and only partially been implemented, are generally considered decentralizing norms (Vásquez and Oliart, 2007), and they preceded the decentralization model implemented since 2003.

Thus, the LGE approved in 2003 can be seen as a MINEDU attempt to make compatible the decision-making structures in the education sector with the mandates of the BLD, LRG and LMG. Still, some incompatibilities persist, as the role of local governments is much more restricted in the MINEDU model.

Intermediate (regional and sub-regional) level organizations in the education sector have not had extensive policymaking autonomy, yet there had been some significant deconcentration of decision-making that was not necessarily taken into account by the initial CND-approved transfer plans. Although regional governments' social sector offices are relatively small and did not have much real say in education policymaking by mid-2006 (as their authority over MINEDU deconcentrated agencies was still not formalized), MINEDU's *direcciones regionales* and their dependencies have in practice

been able to significantly decide such things as naming school principals and hiring teachers.

Thus, in the education sector we find that, in addition to potential and actual resistance to those changes established within the overarching state decentralization program from many stakeholders seeking to maintain their decision-making power and from higher–us wishing to avoid conflict, there is *another,* older "decentralization" process going on. This slow, gradual and only partially implemented system is not fully compatible in its objectives with the guidelines of the broader framework, and it has generated its own conflicts and resistances from those within MINEDU and outside that feel threatened by increased local autonomy in hiring teachers and in other administrative practices.

The relative delay in beginning even the most formal administrative transfers can be therefore, on one hand, be interpreted as providing further proof of the salience of bureaucratic politics lenses in the sense that it certainly would have avoided further conflicts or tensions in a sector where different groups of administrative and decision-making actors were slowly, and not entirely successfully, being realigned. On the other hand, however, the fact that such a process was indeed underway undermines an argument for delays as a result of an inherent resistance of top policymakers to decentralization. In fact, such a delay, viewed in light of MINEDU's reformulated decentralization model in the LGE in 2003, which sought to make compatible sectoral processes with the new state decentralization program, could also be seen as evidence of

genuine commitment to meaningful change on the part of some policymakers who were more accustomed to working in terms of more arduous, gradual change.

In any case, MINEDU is not in any way an example of success in administrative decentralization during the period under study, and so it could finally be said that different types of resistance to change (including CND presumably acting under Executive orders to hold back some initial formal transfers) ultimately prevailed in the sectoral decentralization outcomes. However, the existence of a parallel, sector-specific decentralization process that was started by reform oriented policymakers—and that considerably weakens the coherence of a BP account of MINEDU's decentralization policies—leads us to explore some other ways to account for the outcomes of administrative decentralization in 2003-2006, a task that is undertaken in the following chapter.

Conclusions

Administrative decentralization directly challenges the position of power of decision-makers in the national ministries that are in charge of sectoral reforms. As we have seen in the three cases described in this chapter, these agencies have all formulated decentralization policies that, to a different extent in each case, have reflected a degree of resistance to giving up valued authorities and resources to subnational actors.

A bureaucratic politics approach to this stage of reform leads one to expect resistance in all ministries, even among decision-makers in *promotional* ministries like MINCETUR that control small, deconcentrated bureaucracies as well as budgets that were reduced to near-minimal proportions years ago. Moreover, they do not make many decisions directly involving the use of large sums of money or over coveted investment projects; their positions are not quite the most visible or most politically attractive, either for policymakers themselves or for political actors outside the ministry. In spite of this, MINCETUR emerged as the agency with the approach to decentralization that was most clearly guided by resistance to change.

A BP perspective would lead us to consider any concession to decentralization even less likely in other types of ministries, infrastructure and social, where there is control over larger resources and influence that could be coveted by other political actors; after all, BP focuses on inter-agency conflict and negotiation as determining policy outcomes. In infrastructure ministries like VIVIENDA, budgets are large and many decisions are made about the use of large sums of money and about characteristics of infrastructure and other investment projects. However, while political interests from within and from higher levels were influential in this agency's decentralization policy, many technical issues directly related to the nature of programs under VIVIENDA's control were just as influential. Thus, VIVIENDA was less unequivocally vulnerable to bureaucratic politics as a determinant of decentralization policy than MINCETUR, even though the programs and resources at stake were much larger in the former agency.

Finally, ministries in charge of social sectors like MINEDU control very large payrolls and complex service delivery systems, and there are many vested interests and stakeholders in any changes in these ministries. However, the slowness or lack of progress in Education cannot be solely, or even predominantly, attributed to bureaucratic politics. Unlike the other two agencies examined in this chapter, previous to the beginning of decentralization this ministry had ongoing, even if problematic, progress in a previously determined path towards reform, which included deconcentrating several functions. Beginning changes in the terms established by the national decentralization framework meant, for a complex sector like education, not only considering the enormous delivery system and the many interest groups within the sector, but also considering how to adapt ongoing reforms to new rules and objectives. Resistance to reform by policymakers at different points in this service delivery system is considered to be virtually inevitable, yet even in their absence it would be difficult to imagine anything but slow progress in such a complex agency serving an enormous policy sector.

Thus, a BP approach led us to expect resistance in any sector facing decentralization. The degree of resistance, however, appears to vary in each agency and not as a function of factors that could be considered pertinent to BP. In effect, if bureaucratic self-interest should translate into different decentralization policies by sectors, it would be reasonable to expect decentralization initiatives to make the least headway in the larger social ministries, followed closely by infrastructure ministries and, finally, in promotional

ministries. A closer look at distinct individual ministries, however, revealed different approaches between ministries of different types that could not be accounted for by the differences in the resources and authorities at stake; particular conditions and processes in each agency appeared to be significant in determining sectoral policies.

In contrast to the apparently intuitive BP account of the overall results of administrative decentralization (Chapter 4), when looking at individual cases self-interest appears to have more limited potential to explain variation in sectoral decentralization policies. The next chapter will therefore test two other explanations for the policies formulated by Peruvian ministries, as we search for a more robust explanation of administrative decentralization policies.

Chapter 6 - Beyond bureaucratic resistance: Institutional paths, individual reformers and modest advances

When one analyzes administrative decentralization for the period 2003-2006 and focuses upon the overall formal transfers between ministries and subnational governments, as in chapter three, a bureaucratic politics perspective on policymaking provides a compelling account of self-interest factors driving policymaking in Peruvian ministries. The predicted resistance of central policymakers to give up authority and resources tends to be confirmed by an observed reluctance and slowness of all actors in power in following the mandate for decentralization such that a significant number of scheduled transfers have not been executed. And even where there has been a significant decentralization to benefit regional governments these efforts have rarely increased decision-making power or provided new financial and human resources to those governments.

Moreover, at least in one specific case examined in chapter four (that of the Ministry of Foreign Trade and Tourism, MINCETUR), looking closely at determinants of policy in an individual agency reveals how bureaucratic politics can provide a coherent account of the motivations behind decentralization policymaking (or lack thereof). However, when one looks closer at policies in other ministries there is evidence to suggest that power politics is not the only factor driving particular approaches to sectoral decentralization, as two cases in chapter four illustrated. Indeed, chapter four described how even decentralization policies that show no signs of a profound reform orientation or that show a clear preference for slow progress, as in the Ministry of Education, appear to reflect more than just a lack of will to distribute precious resources and authority. We saw how different organizations take distinct positions regarding decentralization and sometimes appear willing to make some progress; there is no blanket resistance to change

across the board. In other words, the only readily available indicator of administrative decentralization is the amount of formal transfers of resources, but it is not a particularly useful indicator or tool to explain distinct policymaking processes and attitudes towards decentralization.

Thus, if bureaucratic politics-type explanations are insufficient for many cases, we need to look at other factors that are more sector-specific and institutional, as well as examining the preferences of individual reformers. Looking at how the mandate for administrative decentralization has been translated into policies in some ministries and not others, this chapter sets out to find if the impact of two other sets of explanatory factors—institutional factors and individual reformers—on sectoral decentralization paths can complement bureaucratic politics-type explanations so as to provide a fuller account of the variation in sectoral policies. That is the purpose of this chapter.

As mentioned in Chapter 2, an institutionalist perspective on decentralization reforms allows us to view recent sectoral policies as the result of particular institutional processes and rules that have evolved over time and not just as an outcome of negotiations or conflict in a given conjuncture. In the context of this study, ministries are formal organizations that have distinct objectives and internal rules, evolve over time and follow certain observable paths that are often not easy to modify. The case of the Ministry of Education (MINEDU), with its history of deconcentration prior to and independent of current reforms, already hinted at the importance of these factors. From this perspective, the implementation of decentralization guidelines imposed from above clearly cannot be understood as an automatic, mechanical process; even if ministerial policymakers were willing to comply with the spirit of a mandate for decentralization, sectoral authorities have to adapt such guidelines to the context in which they operate.

Thus, as in the case of MINEDU, rapid change may not be a feasible choice for decision-makers if one understands ministries as distinct institutional actors in charge of decentralization, instead of groups of self-interested bureaucrats with a short-term perspective. Rather, progress towards the transfer of authority and resources can be expected to occur in each ministry's terms, and to the extent that each system can accommodate such changes. Some indicators of progress in decentralization within institutional constraints would include the modification or expansion of previously existing sectoral processes of dispersion of power, and decentralization-like processes integrated into long-term plans or programs.

On the other hand, while patterns of decision-making and processes may persist over time in institutions, individual policymakers tend to rotate in and out of public agencies. As cited and reviewed in chapter one, some academic and technocratic literature has highlighted the importance of reform-minded individuals in bringing about difficult, structural changes such as those implied by a process of state decentralization. A focus on the role of individual reformers in administrative decentralization would highlight evidence of reform that unfolds according to conscious, purposeful strategies of pro-decentralization reformers. It assesses the impact of decisions by individuals that are driven by technical, reform-oriented criteria, rather than calculated self-interest, organizational paths or pressure within an institution. At the same time, a focus on individual reformers cannot discard the importance of bureaucratic politics and institutional factors: In real organizations, reform leaders must deal with the complexity of changing institutions and must formulate strategies to overcome resistance to reform; they must often look for slow, gradual success. In addition to concrete transfers of authority and resources, indicators of an audacious reform unfolding as a response to a broader decentralization mandate

would include changes in sectoral decentralization-related strategies introduced after 2002 (whether or not they are spelled out in published or internal documents) and the identification of an active pro-decentralization reform leader or team.

Resistance to significant reform in PRODUCE: Bureaucratic politics or appropriate technical considerations?

The Ministry of Production (PRODUCE) oversees fishing and industrial manufacturing activities, and consists of two vice-ministries that are respectively in charge of each of these policy sectors, in addition to some independent agencies within the ministry. PRODUCE formulates, executes and monitors national policies regarding extractive, productive and transformation activities in the industrial and fishing sectors, "promoting their competitiveness and the increase in production, as well as the rational use of resources and environmental protection." (PRODUCE, 2007).

Like MINCETUR, discussed in the previous chapter, PRODUCE is a relatively small organization that only recently assumed its current form. Before the reshuffling of vice-ministries at the beginning of the Toledo administration (2001), there had been a fishing ministry for many years, while the industry sub-sector had been part of the same ministry as MINCETUR's two current vice-ministries. Like the activities overseen at MINCETUR, public agencies in charge of industry and fishing had been significantly deconcentrated in the 1980's, and the role of the state in these sectors diminished considerably after neoliberal reform in the early 1990s.

Also like MINCETUR, all administrative decentralization transfers in PRODUCE were to be finalized early on in the current process, and (at least on paper) significant progress was made in a

relatively short time. A total of 17 functions, as described in the Basic Law of Decentralization, were scheduled for transfer in the period 2004-2006, seven of these in Industry and ten in Fishing. By the end of the Toledo administration in mid-2006, Industry had fulfilled necessary procedures and paperwork for all seven functions that it was in charge of, while Fishing had two still to transfer (CND, 2006b). Moreover, in the regional dimension, by 2006 all but four regional governments had been accredited by CND for receiving the functions offered by PRODUCE.

Despite many similarities with another small "promotional" ministry like MINCETUR, PRODUCE has some particularities as an organization that have evolved over time and which appear to have had an impact on its decentralization policy. In the first place, as acknowledged by a key policymaker in the vice-ministry of Industry,[51] each vice-ministry within PRODUCE is basically independent of the other in formulating and executing its transfer plans. In other words, the vice-ministerial level commissions that propose transfers each year did not necessarily coordinate their actions and, thus, their sectoral policies.

Therefore, within PRODUCE, and unlike the cases observed elsewhere in this chapter and the previous one, the fishing and industry vice-ministries are in effect (although not in theory) independent policymaking actors. Interviewees in Industry considered that each vice-ministry has brought with it to PRODUCE a different "culture," where Fishing, now as a vice-ministry and for many years previously as a ministry overseeing what was once Peru's flagship economic sector, has been characterized by greater reluctance to even minimally deconcentrate its regulatory functions. They were, above all, perceived by policymakers in Industry as "controlistas."[52] In

[51] Carlos Ferraro interview, 2005
[52] The term was used by PRODUCE officials Carlos Ferraro and Manuel Alvarez in their respective interviews, 2005.

fact, Industry officials consider that the supervisory duties in the fishing sector do not really warrant this reluctance to deconcentrate as they are less complex than those in industry: indeed, a far smaller number of firms is involved, in a smaller number of regions (mostly those along the coast). It should be noted that Industry interviewees warned the author that Fishing officials would likely be unwilling to discuss their decentralization activities with this researcher, and this was followed by difficulty in making contact with pertinent officials at the Viceminister's office, as several calls would not be returned and thus it was not possible to get past assistants to decision-makers.

Despite any different attitudes towards decentralization that may have evolved over time, it is true to say that Fishing and Industry share several basic challenges in formulating sectoral transfer policies and in implementing the delegation of functions, and these particular challenges may help explain reluctance or delays in transfers.

For instance, officials in both agencies must coordinate some of their supervisory activities in politically sensitive areas with actors that are not only outside PRODUCE but also even outside the normal range of actors involved in administrative decentralization. The resistance of outside actors (here including the military) to be willing to give up their authority in certain areas can be understood through a bureaucratic politics-type of analysis, especially if these actors are not formally part of the administrative decentralization process.

However, we argue that the particular circumstances that lead to such a situation of shared responsibilities—together with reluctance to propose reform in certain areas (on the part of PRODUCE)—are only found because of the nature of the policy sectors that are involved and the

institutional design of policymaking for these sectors in the Peruvian state. Industry, for its part, must oversee the use of industrial chemical inputs, including those used for producing illegal drugs, which means it must work closely with a number of agencies involved in drug enforcement. It must also control the use of explosives and potential weapons, and this implies very close coordination with the military and with the Interior Ministry that is in charge of police forces. According to Carlos Ferraro, head of Industry´s *Dirección General de Industrias*, it is likely that some of these functions will "never be decentralized."

Fishing, on the other hand, must coordinate supervisory activities in ocean waters with the Peruvian navy. Moreover, the authority of coastal regional governments over these waters, vis-à-vis different ministries in central government and the navy, is not clearly defined in the decentralization framework, as PRODUCE officials stated.

As a largely independent policymaking actor in decentralization within the established legal framework, the case of Industry bears resemblance to that of MINCETUR, another promotional ministry that also fulfilled all of its scheduled transfers by 2006. While formally under the authority of the vice-ministry of Industry, administrative decentralization here was effectively formulated by the aforementioned *Dirección General de Industrias* (DGI), an agency that is directly under the vice-minister's office. DGI is a technical, normative and promotional organization that is in charge of "proposing, executing and supervising" objectives, policies and strategies at the national level that are oriented towards "the development and growth of industry and firms in the industry sub-sector that carry out industrialization, processing and manufacturing activities." (PRODUCE, 2007) In other words, DGI is responsible for the day-to-day operation of

many PRODUCE activities, as it heads four agencies that oversee the range of PRODUCE functions in industry:

- *Dirección de Insumos y Productos Químicos Fiscalizados*, overseeing controlled chemical products and inputs (including those activities that must be coordinated with drug-enforcement and defense authorities)
- *Dirección de Asuntos Ambientales de Industria*, supervising environmental matters related to industrial activities.
- *Dirección de Competitividad*, in charge of promoting competitiveness at different levels and carrying out mostly promotional and advisory activities.
- *Dirección de Normas Técnicas y Supervisión Industrial*, in charge of technical regulation and norms for different levels of government.

According to its head in 2005, the year in which transfers were formalized, for practical purposes DGI decided what was to be transferred in the vice-ministry.

Although all transfers were finalized by 2005, what did this progress mean in practice for subnational policymakers? As in the case of MINCETUR, the transferred functions generally did little more than formalize what was already being done at (or was ostensibly a responsibility of) the regional level for many years, and the officials that were interviewed readily admitted this. One transferred function was, for example, to "identify investment opportunities and promote private initiatives in industrial projects." (CND, 2006a) In other cases, transfers could imply a need for new resources, such as the rather general mandate to "develop, implement and make available to the population useful and relevant information systems for regional firms and organizations, and also for the regional and national levels (of government)." (CND, 2006a)

However, with an attitude that could be well explained by a BP argument, the head of DGI and another senior DGI official discarded, as in the case of MINCETUR, any need for transfers of additional financial resources to regional governments.[53] According to Ferraro, there was to be no transfer of resources in the current process, since "the ministry does not handle such issues." The transfer of relevant resources was, according to these DGI officials, completed in the 1980s, and regional governments were ostensibly in charge of these by 2006. Moreover, interviewees seemed worried that regional government officials were not ready to understand that decentralization is principally about new responsibilities and not just new resources.

There is considerable lack of clarity regarding the type of intergovernmental relations in policymaking for the industry sector that was being pursued at DGI. At a general level, PRODUCE officials consider that, as a result of previous and recent transfers, each regional government is now responsible for formulating and implementing its industrial policy, while the ministry is there to provide assistance in regional policymaking. However, when asked more specifically about the objectives of the transfers achieved in the current administrative decentralization process, officials stated that the overall goal is to formally transfer responsibility for monitoring industrial activities and gathering information, and not, in any case, policymaking. In the case of activities under the *Dirección de Normas Técnicas y Supervisión Industrial*, for example, monitoring of compliance with technical norms and control at the regional level is deconcentrated, but there are no plans to transfer decision-making in any aspect of the formulation of technical standards. In sensitive areas like those of chemicals that may be used as explosives, not even supervision is to be deconcentrated in the foreseeable future.

[53] Alvarez interview, 2005.

In these respects, there are significant similarities between MINCETUR and the industry vice-ministry at PRODUCE's administrative decentralization policies, which may point to similar motivations behind observed policies. First, in both there has been no effort to even determine if additional resources are needed by regional governments in order to properly fulfill their new responsibilities; it has been assumed that resources transferred from Lima decades ago are still relevant to current reforms. Second, in both cases formal transfers in the 2003-2006 period have been, by and large, a formalization of existing arrangements, which had previously involved deconcentrated regional authorities (CTAR) rather than the politically decentralized regional governments of today. To this extent, a bureaucratic resistance to giving away authority and resources appears to provide some explanation of the attitudes towards decentralization at the industry vice-ministry. Moreover, there was an explicit distrust of interviewed officials regarding the capacities of regional governments to undertake more demanding tasks in supervision and regulation. However, given the lack of hard evidence to support these perceptions of regional incapacity, such attitudes can also be interpreted as a pretext to resist more meaningful transfers in the context of decentralization.

Yet there are also significant differences that need to be addressed and which suggest that organizational particularities, at least as much as pure self-interest, shaped policies. Unlike the case of MINCETUR, where there was no evidence of a pro-decentralization orientation anywhere, in the industry vice-ministry there are signs of a preoccupation with promoting progress towards objectives that are in the spirit of the decentralization framework, such as better regional policymaking and performance, as well as economic decentralization in the broader sense. In fact, such orientation in Industry appears to have been evident before the current

decentralization process began in 2002. Ministry plans and operational strategies at PRODUCE mention decentralization efforts as part of their long-term vision and objectives.[54] Interviewees, moreover, saw their agency as continuing to be involved in decentralization in long run, even if the formal transfers were almost concluded at that time.

According to the head of DGI, in its relation with subnational governments Industry sees itself as a "forum for dialogue" in strengthening regional industrial policymaking, but is also conscious that it must play its role as the agency in administrative control of sensitive issues like chemicals and explosives, where there is little space for dialogue. As a promotional or advisory agency, the vice-ministry actively advocates the coordination of regional industrial policies in such a way that regional clusters may contribute to a national "productive linkages" (*cadenas productivas*) perspective that is managed by PRODUCE. In this regard, courses and workshops are conducted at the central level for capacity building among regional policymakers. Moreover, PRODUCE has moved to strengthen industry and small enterprises outside the capital by establishing a network of thirteen technology innovation and transfer centers (CITE) throughout the country since 2002, most devoted to specific productive areas including the wine industry, shoes, and software.

Thus, while at PRODUCE there appears to be resistance to more significant decentralizing reforms in favor of regional policymakers, evidence suggests that this is not merely the result of conjunctural calculations based on bureaucratic self- interest. First, while there is resistance to actively ensuring that regional policymakers have all necessary resources to fulfill their new functions, as in the case of MINCETUR, there are also real obstacles to transferring other aspects

[54] These official statements and planning documents are found online at the PRODUCE website, http://www.produce.gob.pe.

of decision-making outside the center that are peculiar to the organization and to the policy sectors that it is responsible for.

Second, while in the previous case there was no evidence of a will to integrate decentralization into the institution's long-term plans, at PRODUCE there is a modest deconcentrating tendency and actual evidence of some work with subnational policymakers, particularly aiming at capacity building.

Agencies overseeing the industrial sector have evolved in a way that reflects both the particularities of some activities within this sector and the realities of Peru in recent decades: the industrial dimension of explosives (in a country that still faces some subversive movements and armed drug-traffickers) and certain chemicals involved in the production of illegal drugs (in one of the top producers of cocaine in the world) has determined that a number of actors not normally involved in decentralization would become powerful stakeholders in any reform effort in this particular vice-ministry. On the other hand, policymakers here share a common distrust of subnational policymaking capacities (and are especially reluctant to transfer responsibilities for supervision or analysis of sensitive data), and an unwillingness to work to obtain additional resources for subnational governments

The Ministry of Agriculture: A case of slow implementation of the mandate for decentralization

The Ministry of Agriculture (MINAG) is one of the agencies that were characterized as an "infrastructure" ministry in previous chapters, as it has a relatively small bureaucracy and relatively large investment spending. It has been the leading agricultural policy agency in the

Peruvian public sector since the 1960s and has existed as a ministry since 1943. Although most projects and special programs under this ministry are related to physical infrastructure for irrigation and other uses, the importance of agriculture to large sectors of the Peruvian population—especially many of the poorest Peruvians in rural areas in the Andes—effectively determines that there be close ties between social policies on the one hand, and the activities specifically under the remit of this ministry. In other words, beneficiaries of MINAG programs often overlap with groups targeted by major social programs like the social fund FONCODES.

In the period 2003-2006, MINAG was scheduled by CND to transfer 17 functions to regional governments, but ultimately only four (included in the 2004 transfer plan) were transferred during this period, to a total of 23 accredited governments (CND, 2006b). In this sense, MINAG could be said to be moving at an even slower pace than all the ministries that were previously examined: it has not even completed the bureaucratic formalities that, in most other cases, have to do with functions that were already carried out outside the capital. Thus, on the basis of these formal indicators it could be seen as an institution that is especially resistant to administrative decentralization. However, a closer look at the particularities of MINAG as a ministry and the way its officials have handled the decentralization mandate reveals a far less straightforward reality in terms of MINAG's decentralization efforts.

MINAG's organizational structure is one of the most complex among Peruvian ministries. It has only one vice-ministry, which is in charge of four national offices or *direcciones generales*. However, there are 13 other offices within MINAG that are not clearly under the authority of the vice-ministry's national offices, with different degrees of autonomy and often with representatives at the regional and local levels that were not yet under the authority of regional

governments in 2006. Five of these are OPD (*Organismos Publicos Descentralizados*) and eight are projects and programs. At the same time, MINAG ostensibly coordinates its work with subnational governments through 24 *direcciones regionales de agricultura* (DRA) and 191 local level offices (*agencias agrarias*).[55]

Thus, numerous agencies within MINAG have had significant autonomy over their budgeting and staff policies and, as officials at MINAG and some official documents acknowledge (including the internal 2007 capacity building guide "Plan de Desarrollo de Capacidades del Ministerio de Agricultura"), this has created numerous sources of resistance to reforms that might be seen as jeopardizing jobs or financial resources. MINAG's capacity building plan for 2007, for instance, explicitly acknowledges that with decentralization central offices in Lima will necessarily downsize and most new demands for human resources will come from outside the capital, a situation that has created "disquiet and unrest" among public servants in Lima offices. (MINAG, 2007) Meanwhile, a senior official at UCAD, MINAG's office for decentralization, finds that there is "much fear" of losing jobs and funds among officials at the various autonomous agencies within the ministry (Izaguirre interview, 2006). An official at the office of agricultural planning, for his part, also finds that the existence of many agencies with significant control over their budgets, such as OPD's, means that there is much work left to be done even if the ministry's regular regional offices (*direcciones regionales*) are already under the authority of regional governments.

[55] MINAG's complex organizational structure is described and illustrated online at http://www.minag.gob.pe/organizacion.shtml

While MINAG is a particularly complex institution with a structure that poses great challenges to decentralization, it is also one of few ministries with a permanent office that is dedicated to coordinating decentralization and subnational capacity building. The *Unidad de Coordinacion y Apoyo a la Descentralizacion* (UCAD) has an office in the main ministry building in Lima and exists independently of the more transitory vice-ministerial commission for transfers that by law must exist in every ministry involved in the administrative decentralization process.

According to a senior UCAD official, even in 2006 there was still "no way" to accelerate the process (Izaguirre interview, 2006). However, these difficulties are not only related to resistance from the many autonomous units within the ministry. Just as significantly, officials at MINAG attribute much of the slow and somewhat uneven pace of reforms so far to the need to carefully "shape decentralization along the way," since the process only began with broad guidelines from CND and no details or suggested methodology for designing, evaluating or monitoring transfers. Indeed, "decentralization is constructed in each sector." (Izaguirre interview, 2006)

What has "constructing decentralization in each sector" meant for MINAG? It was decided by officials involved in the process at the central level that the functions outlined in the decentralization framework, which was the basis for annual transfer plans, needed to be carefully disaggregated into more specific sub-functions or "*facultades*" because the functions were too broad and were not thought of in terms of the actual functions carried out in the ministry. To illustrate this level of generality in the description of functions to be transferred, one can refer to the only four functions transferred as of 2007, which were functions a, d, h, and j of the original plan:

> "a. To administrate and supervise the management of agricultural activities and services…
>
> d. To develop vigilance and control actions in order to guarantee the sustainable use of natural resources under its jurisdiction.
>
> h. To plan, promote and coordinate, with the private sector, agricultural and agro-industrial development plans and projects.
>
> i. To plan, supervise and control… the improvement of agricultural commercialization services, and crops and farming development" (CND, 2006, translation by author)

In the case of a complex organization like MINAG, transferring such functions is not straightforward. In practice, most such functions include the activities of several different offices within the ministry (including projects with significant autonomy), and this can be both a political challenge, because of the autonomy and relative lack of coordination between such actors, and a more technical one for those planning decentralization because different offices were at different levels of deconcentration when the process began. Thus, following broad guidelines of the decentralization framework has meant undertaking some time-consuming tasks: on one hand, defining strategies for dealing with reform in "special cases" and, second, mapping out more specific functions (seen as both rights and responsibilities) that can be effectively transferred. As officials at MINAG hold, "from the outside, everything looks much more simple." Inside, however, translating these guidelines into actual changes requires time-consuming consideration of various internal factors of technical and political nature that were not well known by those involved in designing the original decentralization framework.

At the onset of administrative decentralization in the current process, different agencies within MINAG showed very different levels of deconcentration, and by 2006 some changes had occurred in these ministerial offices. However, progress in dealing with this heterogeneity could not be reflected in the broad functions that have already been transferred. For example, in activities related to technical and other assistance to agricultural producers, at the onset of reforms all decisions were made "vertically and centrally" from Lima (Izaguirre interview 2006), and by 2006 these decisions had been deconcentrated to regional-level agencies within the ministerial structure, including the regional offices that are now formally under the authority of regional governments. Other important policy decisions, however, were still centralized in Lima even in 2007, including those related to decisions in agricultural and animal sanitation and natural resources, even if the latter were formally transferred.

Unlike other cases previously illustrated in this study, MINAG shows an example of mid-level ministry officials attempting (albeit, at a slow pace) to systematically improve on the arrangements initially set forth in the legal framework for reform, in order to make reform viable (in terms of the guidelines stated in the overarching legal framework) in a complex organization. Interestingly, these officials were part of a permanent decentralization office, whose goals are almost exclusively related to the decentralization process begun in 2002. Such offices do not exist in the majority of ministries, and in this case this characteristic appears to strongly shape the attitudes of these officials.

The case of MINAG also shows some very modest progress in establishing dialogue between those directly responsible for sectoral decentralization (UCAD) and ministry agencies that appear reluctant to participate in the decentralization process. Indeed, each agency, including OPD's and

projects, requires a particular strategy. Finally, unlike the ministry cases described so far, there are attempts to foster regional government capacities in order to make transfers sustainable, rather than a focus on simply fulfilling requirements established outside the sector (MINAG, 2007).

The senior UCAD official interviewed appeared concerned that the certificate of transfer issued by CND may only fulfill bureaucratic formalities. It might represent for many an accomplishment of administrative decentralization, but many details, including legal aspects, still needed to be adjusted in subnational governments even after formal transfers so that regional policymakers are truly able to assume their new responsibilities. This includes adapting legal norms regarding planning, human resources and other regulations at the regional level. However, given the weakness of CND in terms of resources and of its standing relative to ministries, there is no central government agency effectively monitoring the successful adaptation of regional governments to new responsibilities. At the same time, in 2006 MINAG still did not have evaluation methods or indicators ready for monitoring the process after formal transfers were fulfilled.

Bureaucratic politics is, again, an undeniable element explaining the slow pace of changes in MINAG. However, this case illustrates how BP is not necessarily pervasive or the most important element explaining transfer policies. One key argument for this is that a permanent office dedicated to coordinating administrative decentralization (UCAD) was put into place during the most important period for transfers (2004-2006) under the Toledo administration even if, as acknowledged by MINAG officials, during these years there was very little or no pressure “from above” to push decentralization forward. In fact, the legal framework for administrative decentralization does not require establishing such an office. Moreover, this office, in conjunction

with other actors within the ministry, has taken concrete steps to support significant decentralization, including formulating capacity-building strategies and establishing channels for dialogue between ministry agencies.

While it is true that the advances have not been spectacular, the care and seriousness often taken in seeking to translate the mandate for decentralization into specific guidelines that are pertinent to the public agencies involved in agriculture policy shows a number of elements. First, it shows that fairly important decision-makers within a Peruvian ministry have been seriously considering decentralization as something more than a simple threat to the bureaucratic status quo. Second, it shows that slow progress towards real decentralization should not only be seen as a symptom of resistance to change overall, but in some cases may be the result of purposeful strategies to deal carefully with complex challenges, including resistance from particular agencies within a sector or lack of political support from above.

The Ministry of Health: a case of reformist leadership shaping decentralization

With an annual budget of nearly US$ 1 billion, the Ministry of Health (MINSA) is second in size only to the Ministry of Education among the Peruvian agencies undergoing administrative decentralization. It is responsible for a complex service delivery system that includes networks of hospitals and health service posts serving the regional, provincial and district levels.

As in the case of MINEDU, many of the activities under MINSA authority were deconcentrated long before current reforms started, reflecting reforms in the 1980s and earlier. To a greater degree than that of Education, MINSA also underwent some institutional reform in the 1990s that included the creation of public-civil society health management partnerships (CLAS) at the

community level throughout the country (Ewig, 2001). Although hundreds of CLAS throughout Peru have represented a degree of decentralization of decision-making to the local and community level in health, these were not conceived in a context of state decentralization and have not been an integral part of broader sectoral decentralization efforts.[56] Because of its success in achieving some objectives set by top technocrats in the 1990s—where similar reforms failed in education—MINSA has been considered by some literature as a case of successful institutional reform that was led by technocrats within the ministry (Ortiz de Zevallos, 1999).

However, there were other changes in the health sector in the 1990s, and the legal framework for such changes basically reflected a centralist state. The General Law of Health was introduced in 1997 and was considered as reflecting the "re-centralizing" trends of the Fujimori regime, particularly after 1992 (MINSA, 2005). This framework outlined a national government that concentrates key competences in the health sector, together with the lack of autonomous regional authorities and a weak role for local governments.

After the end of the Fujimori regime, during the transitional Paniagua government and the earlier part of the Toledo administration, different laws and regulation established a new drive towards deconcentration within the ministry's organizational hierarchy, particularly benefiting regional offices. Thus many tasks began to be carried out at the regional (CTAR) level in the years immediately preceding the current reforms, even if authority was not formally transferred to these deconcentrated regional entities (MINSA, 2005).

[56] Sandra Vallenas interview, 2005.

In more recent years, MINSA has achieved some progress in concluding the transfer of functions that were set in the current legal framework and programmed for administrative decentralization in the period 2004-2006. While social sectors like health were initially set to carry out decentralization only after reform in other sectors was culminated, in effect the Law of Regional Governments opened the way for transfers to begin as early as the beginning of 2004. Indeed, in this context MINSA has continued to show more rapid change than MINEDU, which did not complete any formal transfers during the Toledo administration. The 13 functions that MINSA transferred to regional governments by mid 2006 were, however, less than the 16 that had been programmed in transfer plans during this period (CND, 2006b). Moreover, as in other sectors examined, these transfers related to functions that were already deconcentrated and, therefore, were basically just formalities. Most noticeably, deconcentrated regional sectoral offices handled the payroll and some labor issues of health employees in each region and, in the current process, politically autonomous regional governments carry out these duties without having greater policymaking authority (Somocurcio interview, 2005).

While the progress in transferring these functions does not appear extraordinary in comparison to other ministries previously examined, MINSA is, nevertheless, widely hailed as the best (and perhaps only) example of a ministry where there has been a clear will to transfer decision-making power to subnational actors, at the same time that it has designed reforms in close coordination with their intended beneficiaries (Participa Peru 2006, Saenz interview, 2006). Is MINSA indeed a unique case in Peruvian administrative decentralization? And, if so, what factors have shaped a distinct path in reforms?

First, not very much has changed in terms of subnational decision-making as a result of what has been formally transferred. According to an official at MINSA's decentralization office, the most important concrete change in recent years with respect to what the previous deconcentrated regional authorities (CTAR) could do is that regional governments can now designate senior health officials at the regional health office (DIRESA) level without needing MINSA approval.[57]

Thus, regional governments are not yet substantially in charge of regional health policy, while work with local governments only began after the end of the Toledo regime. However, the different observers of Peruvian decentralization who have lauded the way MINSA has managed administrative decentralization have not focused on this partial, measurable progress. Rather, the focus has been more on the *process* by which plans and objectives were reached, which in turn have served as the basis for some of the initial transfers and the foundation for future progress.

While the overall transfer process began in early 2003 and two different ministers (Dr. Fernando Carbone and Dr. Alvaro Vidal) held office during that year, it was in February 2004, with the entry of physician and public health specialist Dr. Pilar Mazetti as minister of health that several characteristics of decentralization policymaking emerged in MINSA that distinguished it from all other cases. First, beginning in early 2004 she drafted a team of technocrats under economist Eva Guerrero—who was an advisor to Minister Mazzetti—to work, beginning in April of that year, on the sector's decentralization long-term plan, or *Hoja de Ruta*. This plan underwent several changes and had two versions, December 2004 and March 2005, which reflected an understanding of the various factors at play in a decentralization process. According to the final version of this document,

[57] Ana Vicente interview, 2007.

> In Peru and in light of international experience, planning decentralization in health will require: i) understanding the characteristics of the political process in which it is inscribed, ii) understanding in particular the factors that drive decentralization –political factors, social demands, technocratic visions, pressure from international organizations – iii) knowing the specific interests of relevant social actors, within and outside MINSA and iv) establishing the stages and sequence of decentralization in a planned manner, considering both political variables and capacities at the subnational level. (MINSA, 2005, p. 13, translation by the author)

Like officials at MINAG, this team was also well aware of the need to elaborate on the broad guidelines for reform that could be found in the Basic Law of Decentralization and the Law of Regional Governments. According to the 2004 Hoja de Ruta, the laws in the national decentralization framework "do not describe the current operations of MINSA." (MINSA, 2004, p. 21) During six months they mapped out a structure of functions and competences under MINSA authority, and pending tasks were established for each level. At the same time, they reported to both the minister and the sectoral transfer commission. Finally, the finished documents established the broad guidelines for decentralizing the health sector, identifying blocks of specific competences to be transferred and a planned, participative process to involve subnational officials.[58]

In general, MINSA technocrats carried out an "extensive interpretation" of decentralization norms (MINSA, 2004, p. 25), and defined reforms thematically in terms of the 14 processes, 66 sub processes and 234 tasks mapped out for the health sector. For these categories, specific competences of different levels of government were defined, so that MINSA's classification—based on current and future processes and sub processes—could be translated into the shared, delegated and exclusive competences defined by the 2002 decentralization framework (discussed in Chapter 3).

[58] Vicente interview, 2006.

Three blocks of transfers of competences were sequenced in such a way that the first would include those that were already deconcentrated (i.e., already in the hands of subnational authorities) and thus would not require implementing strict requirements for accreditation because regional actors had already been in charge for some time. The two subsequent blocks of transfers included many that were not already deconcentrated and were to progressively increase in complexity, in terms of the need for subnational capacity building and other difficulties. These processes are illustrated in Table 6-A.

Table 6-A
Overall structure of transfers in Health, as planned by MINSA technocrats (2004)

Phases (*bloques*) of reform (to be implemented consecutively, 2005-2011)	Description	Example from MINSA's "Organization" process
Phase 1	• Functions that are already being carried out in a deconcentrated or delegated manner at the subnational level of government. • Functions with budgets that are executed at the subnational level. Functions that do not require greater normative or human capacities.	Regional governments conduct, execute and supervise the analysis of organizational and management processes, as well as organizational systems and processes.
Phase 2	• Functions that require capacities that are developed partially at a subnational level, and which may be developed with programs implemented at a low cost by some level of government.	Provincial and district governments formulate directives and norms for their respective fields of action, in accordance with national and regional norms.
Phase 3	• Functions that require capacities that have scarcely or not at all developed at decentralized levels and which require important capacity building processes or normative developments at a subnational level. • Transfers that cannot qualify as funded mandates, or, in the language of the decentralization framework, cannot be considered "fiscally neutral."	Provincial governments look after the analysis of organizational and management processes, as well as organizational systems and processes.

Adapted and translated by the author from MINSA's *Hoja de Ruta* (MINSA, 2004)

However, it was evident early on that it would not possible to implement this schedule of transfers within the initial timeframe, because CND regulations established that even those functions that were already being carried out by regions would require undergoing the accreditation process. In practice, then, CND regulations assumed that all sectors were starting reforms from a similar baseline; this was seen as an obstacle in MINSA, where deconcentration

began in the 1980s and again was active since the transitional Paniagua government. Another difficulty for translating requirements of the legal framework (LBD) actual sectoral reforms was presented by the varying nature of the functions outlined in the legal framework. There was a notoriously heterogeneous level of specificity of such functions, where some referred to very specific tasks while others referred to broad responsibilities of regional authorities, such as designing regional health plans.[59]

Thus, in the face of a legal framework that only provided very broad guidelines for reform, during 2004 these were disaggregated into much more specific functions or "*facultades*." These were eventually defined in terms of twelve sectoral processes, some administrative and some more strictly health-policy related (*sanitarios*). Thus, the team in charge of the *Hoja de Ruta* mapped out the disaggregated sectoral functions but kept them under the uneven functional headings established by the legal framework. Moreover, for each process there was an assignment of responsibilities to the national, regional or provincial level.

By late 2004, MINSA began to organize regular meetings with regional government officials in order to discuss the *Hoja de Ruta*. This was unprecedented both in MINSA and in other ministries. Between December 2004 and July 2006, there were nine national, MINSA-organized meetings in which regional presidents, regional social development managers and regional health directors were invited to participate and discuss issues with MINSA officials. The meetings' proceedings were made public and are still available through MINSA's website. These national meetings were not just devoted to technical aspects of transferring health functions; broader

[59] Vicente interview, 2006.

aspects of health policy were also being discussed. The 2005 annual health transfer plan is considered to be one of the first tangible results of these meetings.[60]

Interestingly, as a result of this systematic dialogue between MINSA and regional governments, in 2005 there was an initial MINSA proposal to begin reforms by transferring a total of 78 sub-functions (*facultades*) in that year, most of which were already being carried out as deconcentrated activities and thus required no real changes.

Also unlike any other case, CND rejected the initial proposal for the health sector on the grounds (according to an official at MINSA's decentralization office) that they did not want MINSA to "get too far ahead" in relation to other sectors.[61] When this was translated into the multi-annual transfer plan for 2005-2009, only seven functions (and 21 corresponding sub-functions) were considered by CND for the health sector in 2005. Finally, by the time the annual 2005 transfer plan was approved, negotiations between MINSA and CND led to a total of 13 functions and 37 sub-functions for 2005 (Participa Peru, 2006; Vicente interview, 2006). This was not only an exceptional case because of CND's restrictive attitude towards a ministry, but also because of MINSA´s evident drive towards decentralization, which led it to actively negotiate for more significant progress even after CND's initial denial (Participa Peru, 2005).

The accreditation of regional governments to receive these functions in the 2005 plan was successful in most cases, although six regional governments were not certified for all sub-functions. As in other sectors, Lima and Callao represented significant challenges, as these metropolitan areas were slow to adapt their processes and organizations to the demands of

[60] Ana Vicente interview, 2006.
[61] Vicente interview.

regional policymaking. Moreover, one of the important lines of work in decentralization for MINSA during this time was to redefine territorial boundaries of health districts within Lima and Callao in order to facilitate the future transfer of functions to corresponding regional governments and avoid overlaps.

Another distinctive characteristic of MINSA´s decentralization policy was how these activities were actively disseminated in the media by the ministry. Minister Mazzetti employed some media advisors and consistently published press releases that informed about their pro-decentralization activities. Indeed, the image of MINSA, and Mazzetti in particular, as exceptional reformers was well disseminated. The able use of media to promote MINSA's image was not always seen in a positive light, however. For example, two senior advisors of previous minister Álvaro Vidal saw the Mazzetti administration's much promoted pro-decentralization efforts as primarily a media creation in the sense that, as previously mentioned, little actually changed in terms of new authorities and resources for subnational governments during this period. Mazzetti´s chief virtue in this regard was, according to them. "to have good press advisors," rather than a real commitment to significant change.[62] Many others, however, saw the minister's active use of media dissemination as an integral part of a decentralization strategy.[63] In any case, there was a conscious effort to have the general public and policymakers relating changes in the health sector with a reform-minded individual and her team of technocrats.

Minister Mazzetti remained in office until the end of the Toledo administration, in July 2006. While seen positively by most subnational actors, as confirmed in interviews with subnational officials and other ministry officials, as well as by many in international cooperation and

[62] Somocurcio interview, 2005; Valcárcel interview, 2005.
[63] Vallenas interview, 2005.

technocratic circles, Mazzetti was also a polarizing figure in the health policy community. Conservatives within the sector and beyond angrily and publicly resisted her policies because of her advocacy of certain birth control methods, especially aiming at lower-income groups. It should be noted that, at the beginning of the Toledo administration, the first two health ministers (Luis Solari, who was later Prime Minister, and Fernando Carbone) had close ties to the Catholic church and conservative groups in Peru. Mazzetti, thus, not only challenged the status quo in terms of setting the stage for substantial decentralization (although presiding over little actual change) but also challenged a conservative health policy orientation that was originally established by influential members of the ruling party.

By the time Mazzetti left MINSA, the legacy of her administration in the ministry included a permanent Decentralization Office, located in Lima yet outside the main, massive MINSA building. This office replaced, in many ways, the initial team of technocrats working on decentralization with Mazzetti and it continued to coordinate decentralization efforts into 2006 and 2007. Most ministries do not have such permanent offices for decentralization; even the large and complex Ministry of Education did not have a single office that could be identified as responsible for leading decentralization efforts during this period.[64] On the other hand, while decentralization efforts certainly did not end in MINSA after Mazzetti left, the series of national-level did end, and gave way to smaller, regional and local-level meetings after 2006.

The general perception of Mazetti—among subnational actors, academics and even other fellow central government officials—was that of an apolitical, technocratic reformist who actively favored decentralization and close coordination with subnational governments, which also

[64] Wanuz interview, 2005.

participated in the discussion of public health objectives. That this had an actual impact on MINSA decentralization policy is strongly supported by the fact that the activities that most distinguished MINSA from other ministries undergoing administrative decentralization—such as regular national meetings with regional officials and the direct and public involvement of the minister in decentralization matters—were not present before or after Mazzetti's tenure as minister. Even Mazzetti's detractors believe that she sought to make decentralization a key issue and become directly associated with progress in this field. (Somocurcio interview, 2005)

However, the MINSA case was not entirely an exceptional one. As in other large institutions with a complex organizational structure, bureaucratic politics was manifest in the reluctance of many agencies in the central offices to participate in decentralization efforts.[65] This resistance or "fear" of decentralization was addressed directly by the decentralization office, which sought to decrease the reluctance to discuss decentralization in the central building in Lima. According to an official who was at the decentralization office since its inception, there was especially much fear of losing jobs if health services were decentralized to the local level. From the decentralization office there were efforts to engage several agencies in dialogue in order to explain to them that rather than losing their jobs, their responsibilities were going to change, as "instead of supervising what regions do, they would begin to work on national guidelines, technical documents and capacity building," among other issues.[66]

Institutional factors also shaped and constrained the range of options open to reformist technocrats under Mazzetti; as in Education, some institutional reform processes were in place from previous years that were not entirely compatible with the decentralization process that began

[65] Vicente interview, 2006.
[66] Vicente interview, 2006.

in 2002. Many changes that were started in the 1990s were conceived in a context of centralization under Fujimori, including those that sought achieve some degree of decentralization of decision-making. As mentioned earlier, the legal framework in the health sector up to 2002 did consider programs such as CLAS that promoted local participation and decision-making but they conceived such programs in a context of dependent regional governments and weak local governments, where this and other types of deconcentration or delegation would not necessarily involve the levels of politically autonomous, subnational government that have been in place since 2002.

In any case, ministerial leadership was crucial in beginning to overcome many of such obstacles, as one of the key tasks of the advisory group that worked with Mazzetti since early 2004 was to make compatible the existing legal framework and health process with the objectives put forward in the then-recent decentralization framework. Moving forward with actual transfers of authority and resources, however, has not been a rapid process in a complex sector. However, progress towards significant decentralization has continued in this sector after Mazetti (MINSA, 2007).

In short, this chapter has shown how translating the mandates of the decentralization framework into sectoral realities is, therefore, difficult even when there is political will at the very top of the sector and there is systematic coordination with the beneficiaries of reform, that is, regional governments. Without such leadership, when the process is mostly in the hands of lower-level officials, progress is even slower and less decisive, as in the cases of MINAG and MINCETUR, where institutional constraints and bureaucratic resistance must still be addressed, while there is no central figure to push for intergovernmental dialogue that can set the stage for more assured steps towards the transfers of authority and resources that subnational actors in fact demand.

Chapter 7 - Overview and Conclusions about Decentralization "in Name Only" in Peru

In the period 2003-2006, a heterogeneous set of ministries led the process of administrative decentralization in Peru. Did this process amount to decentralization in name only? Two important facts suggest that this was the case. First, the legislative framework does not contemplate a full decentralization (devolution) of public policymaking, so that all efforts would at best amount to limited autonomy in subnational decision-making. Second, the implementation stage of this policy process yielded disappointing aggregate results in terms of the amount of official transfers fulfilled by 2006, and in terms of what these transfers brought to subnational policymakers eager for greater decision-making power.

As for the first point, there are, indeed, unquestionable limits to the degree of autonomy that Peruvian subnational governments can aspire to have. On the other hand, the shortcomings of official transfers to subnational governments during this period did not necessarily indicate a uniform lack of significant efforts towards delegating policymaking authority and resources. Rather, the study has confirmed the existence of distinct sectoral paths to decentralization, and it has elucidated the factors behind sectoral policymaking, given the undeniable heterogeneity in ministries, policy sectors and their particular political and institutional processes. In some cases, policies were shaped primarily by resistance and aimed at achieving decentralization in name only, while in others

significant steps were taken to set the stage for meaningful delegation of sectoral authority and resources.

Ministries have acted under a similar, overarching legal framework but also have had significant discretion in shaping the process in the policy sectors under their authority; thus, they did not act as neutral implementers of orders from above. What factors were behind the results of administrative decentralization during this period? Despite similarities in the measurable results of implementation in different ministries (which can suggest a common pattern of self-interested resistance determining policymaking), initial research found evidence of variation in decentralization policymaking at the ministerial level that needed to be explained.

Three distinct conceptual lenses (based on literature on bureaucratic politics, institutionalism and individual reformers) were used to analyze and explain such differences in sectoral transfer policies. Together, these different lenses have provided a more coherent account of policymaking during implementation than would have been possible only through a focus on the self-interested resistance of ministerial policymakers. The comparative analysis of various ministries has shown that these are complex organizations where political, institutional and technocratic considerations often interact, influencing the decisions taken regarding the policy sectors under each ministry's authority.

This concluding chapter reviews the main findings of this study and the implications of such findings for a number of important issues in administrative decentralization and for the pertinent scholarly literature—including the distinctive nature of the implementation stage, the critical importance of administrative decentralization, bodies of work on bureaucratic politics, institutionalism, and the role of individual reformers. Finally, it outlines the lessons learned regarding the use of the alternative analytical lenses employed in this dissertation, proposes some topics for further research in this area, and then explains the study's key strengths and shortcomings.

Key findings

Two closely linked research questions were formulated in order to examine the dynamics of this stage of decentralization in Peru, emerging from a literature review that considered work on decentralization in Latin America, implementation studies, bureaucratic politics, institutionalism and technocratic reform. First, this study sought to explain why Peruvian ministries—rather than other national and subnational stakeholders—were able to become the predominant actors shaping the implementation of administrative decentralization between 2003 and 2006. Second, it explored whether the challenges to administrative decentralization were uniquely the result of expected resistance to reform at the ministry level (as the bureaucratic politics literature would suggest), or if other explanations of policy outcomes drawn from political science and policy analysis literatures provided a more robust understanding of the dynamics of reform.

Ministries leading reform. In Chapter 3, this study explained why Peruvian ministries—rather than other national and subnational stakeholders—were able to become the predominant actors shaping the implementation of administrative decentralization between 2003 and 2006. Two factors were crucial: first, a legal framework that severely limited the role of subnational governments in shaping decentralization and determined a relatively weak central decentralization agency that ostensibly led the reform process. Second, the President and ruling party quickly lost interest and leadership in decentralization after the key opposition party was the big winner in early regional elections (November 2002) that marked the beginning of the process.

The review of significant political and social trends since the early 1980s and of the failed regionalization experiment of 1988-1992 illustrated how previous events provided significant parameters for decision-makers in the shaping of a framework for decentralization in the early 21st century Peru. These included a focus on strengthening regional government and a tendency to accept the need for gradual process of change. This was followed by a more detailed analysis of the democratic transition of 2000-2001, a particular context of rapid change and generalized rejection of authoritarian, centralist attitudes that—in conjunction with the realities of Peru's critically weakened party system—made possible the introduction of decentralization to the very top of the policy agenda. The presidential decision to rapidly initiate reform in large part was aided by a cross-party contingent of new legislators in the Congress that pushed for decentralization

reform policies to be immediately formulated and implemented by the Toledo government (2002-2006).

However, the pro-decentralization consensus was quite short-lived. As implementation studies would have suggested, after top elected officials in the Executive and Legislative defined the broad guidelines for state decentralization, they had few incentives to become involved in defining the details of implementation or supervising the process, so that ministries and other bureaucratic agencies (but not weaker, subnational stakeholders) were able to assume a leading role in shaping administrative transfers. This became clear by the time regional elections were imminent, towards the end of 2002, and electoral calculations and party allegiance became priorities behind decision-making.

The leading role in administrative transfers was assigned to those holding power in various policy sectors. This largely confirmed the first hypothesis established in Chapter 2, which was based on the findings of implementation literature namely that once top elected officials in the Executive and Legislative had defined the broad guidelines for state decentralization, they had few incentives to become involved in defining the details of implementation or supervising the process, such that ministries and other bureaucratic agencies (rather than weaker stakeholders) were able to assume a leading role in shaping administrative transfers.

However there was also the influence of technocrats that participated in the formulation of the legal framework for decentralization, as they clearly favored a slow, gradual process that was carefully controlled from Lima. In any case, a scenario that seemed to determine a slower pace of reform right after new subnational authorities took office (January 2003) was immediately configured, first, by the disappearance of the critical legislative pro-decentralization consensus and by aspects of a legal framework for reform (2002-2003) that—in large part due to technocratic criteria—left subnational actors and even the national decentralization authority in a subordinate position vis-à-vis central government agencies like ministries.

With few exceptions, ministries were able to set the pace and depth of the implementation of administrative decentralization almost effortlessly. As literature on bureaucratic politics and implementation would have predicted, by the end of the Toledo administration measurable progress in administrative decentralization was quite small. Subnational authorities and independent observers most often cited lack of "political will" among ministerial policymakers and higher officials as the key reason for this slow transfer of authority and resources. Having the upper hand in determining sectoral transfer policies, were policymakers at ministries indeed solely guided by self-interest into virtually stalling the process, or were other factors and considerations also significant?

The factors shaping reform policies in ministries. Having illustrated and explained the leading role of ministries as sectoral policymakers that shape the outcome of overall reforms, Chapters 4, 5 and 6 answered the study's second research question. A comparative analysis of decentralization policies across policy areas was carried out, viewing policies through alternative lenses that emerge from different bodies of literature: bureaucratic politics, institutionalism and individual reformers. First, bureaucratic politics suggests looking for calculated self-interest as primary motivation behind policies across all sectors, where policymakers make decisions in terms of their position at a government agency while aiming at protecting or increasing their authority and resources. An institutionalist perspective, for its part, suggests looking at ministries as distinct organizational actors that evolve over time along particular paths. Finally, a focus on policymakers as potential reformers leads us to view policies as the result of purposeful efforts to resolve sectoral problems or improve performance.

The analysis and comparison of individual sectoral policies formulated by ministries revealed that, although ministries are perceived as having resisted the implementation of administrative decentralization due to an interest in retaining authority and resources (thus the overall slow progress), in most cases their reform policies could only be partially ascribed to such resistance to change based on self-interest. Indeed, Chapters 3 and 4 also showed that self-interested resistance to reform is ubiquitous, yet a bureaucratic politics-type explanation is inadequate in providing coherent accounts of policymaking in just about every case.

Slow progress has also been determined by distinct institutional characteristics, as in the case of Agriculture, for instance, where a complex organizational structure and a tradition of autonomy among offices within the ministry determined many points of resistance to any significant reform rather than there being an anti-decentralization stance among those responsible for policymaking. Of course, institutional characteristics are not only determinants of slow progress; the presence of a permanent decentralization office is a characteristic of two of the more decentralization-oriented ministries, MINSA and MINAG.

The preliminary "type of ministry" categories (promotional, infrastructure and social) describe the distinct roles that the state plays through ministries in charge of policy sectors, and are broadly related to what we later defined as institutional characteristics. Indeed, they can be understood as coarse institutional categories that are commonly used to classify Peruvian ministries. Moreover, the very different roles that the state must play in types policy areas have indeed determined particular considerations that become relevant when each institution ponders a decentralization policy: from housing programs that could not be financially sustainable if delegated to politically-sensitive productive activities which require central supervision and the participation of actors outside the Executive branch of government.

Alone, however, the type of ministry could not have helped to explain different progress in transfers or overall pro-decentralization orientation. Each of the two ministries within each category that was examined had quite distinct decentralization policies and orientation from the other (Table 7A). If anything, the fact that the least pro-decentralization pair was that of promotional ministries, where less authority and resources are at stake in decentralization, indicates that large bureaucracies and large budgets do not necessarily determine greater resistance to reform. Health, a social sector led by the second largest ministry and featuring one of the most complex policy systems, was indeed the acknowledge decentralization leader.

The actions of individual reformers, most clearly in Health, also shaped such policies decisively yet still did not lead to rapid progress. Chapters 4 through 6, then, confirmed that there has been much variation in sectoral approaches to decentralization, even though there was overall very little substantial transfer of decision-making power from ministries of all types to subnational governments. The results of the comparative analysis related to research question 2 are summarized in Table 7-A.

Table 7-A: Summary of results of comparative analysis of ministries in charge of administrative decentralization, 2003-2006

Ministry	Sectors under ministryÕs authority	Type of ministry	% of available sectoral functions formally transferred	Factors determining transfer policies	MinistryÕs overall pro-decentralization policy orientation
MINCETUR	Trade and tourism	Promotional	100	Resistance	None
PRODUCE	Industry and fishing	Promotional	88	Institutional, resistance	Weak
VIVIENDA	Housing, construction and sanitation	Infrastructure	0	Institutional, resistance	Weak
MINAG	Agriculture	Infrastructure	59	Institutional, resistance	Medium
MINEDU	Education	Social	29	Institutional, resistance	Weak
MINSA	Health	Social	94	Individual reformer, institutional, resistance	Strong

These central chapters of the dissertation confirmed there is much that must be analyzed at the level of individual ministries—as heads of particular policy sectors—in order to understand the dynamics of the implementation stage and their impact on eventual outcomes of decentralization reform. Implementation is also a policymaking stage: in the case of Peru, reforms were slowed down during this stage. The fundamental reasons for this are therefore to be found at the level of sectoral policymakers and other stakeholders during implementation. Looking at the political actors and stakeholders of the initial stages of reform can reveal some important conditions for policymaking clues but not the direct determinants of sectoral policies.

In general terms, Chapters 4, 5 and 6 helped to confirm the second hypothesis from Chapter 2, that although ministries are perceived as having resisted the implementation of administrative decentralization, their reform policies were only partially determined by such resistance to change, as distinct institutional characteristics and the actions of individual reformers also shaped such policies decisively. However, it was not foreseen that different explanatory factors would interact in such distinct ways in each ministry. Indeed, this dissertation has showed that ministries can and do become decisive, policymaking actors during the implementation stage of decentralization, as well as being major stakeholders in reform. Thereafter, administrative decentralization for policy sectors is approached distinctly and plays out differently for policymakers in each ministry, despite overall similarities in measurable progress during the period under study that could suggest otherwise in the case of Peru.

Main implications of findings

The nature of the implementation stage is crucially important. By answering the main research questions, this study has also helped to shed light on the distinctive nature of implementation activities (vis-à-vis agenda setting and formulation) in a decentralization process. In decentralization, as illustrated by the case of Peru, it is possible to have a politically challenging situation where implementers themselves are expected to give up resources and authority to subnational actors. We have also seen that, in decentralization literature, implementation has a generally overlooked importance in shaping the outcomes of decentralization reform—especially in defining administrative

decentralization's impact on subnational policymakers and their decision-making powers. Implementation, moreover, takes place in a different policymaking arena than the basic formulation of the framework for reform, where the President, Congress and high-level technocrats were the key actors.

Implementation can be understood as a distinct stage of the decentralization policy process, especially in the Peruvian case, which fits quite well into the traditional "stages" approach to public policy analysis. In fact, Chapter 3 confirms the distinctness of earlier stages of reform while also confirming the findings of scholars of Latin American decentralization about the fundamental role of politics and higher levels of central government in earlier stages of the policy process. Subsequently, Chapters 4 through 6 showed that during implementation a new set of actors at the ministry level shape the overall process by adopting different approaches to reform in each case. Thus, the overall implementation process itself becomes more of a combination of particular paths of reform in distinct sectors, rather than a single policy under the control of any single agency. While the earlier stages of agenda setting and formulation certainly have an impact on the final outcomes of reform, mid-level implementers in ministries are even more important in defining the impact that state decentralization has on empowering subnational decision-makers.

As established in the initial literature review, studies of the implementation of public policies, which have largely been based on experiences in the United States, have

strongly suggested that implementation is also a policymaking stage. It is assumed by this literature that it is not a stage where bureaucrats mechanically follow guidelines from superiors, and therefore implementers can purposefully shape the outcome of policies. Some studies of institutional reforms in developing countries have also pointed towards such a conclusion.

The case of Peru (as explored in Chapters 4 to 6) shows a process in which sectoral decision-makers in ministries have and exercise significant discretion in proposing what is to be transferred to subnational governments and how and when it is to be transferred. Moreover, as in the cases of many US and other implementation experiences, bureaucrats in charge of implementation have much discretion in translating the broad guidelines they receive into policies that reflect, in varying degrees, the know-how, organizational structure and particular processes in each sector of public policy under reform.

In some cases, ministries do comply with the most formal side of reform but make no efforts to turn decentralization into a meaningful, longer-term policy commitment or to give substance to ambiguous functions that the legal framework outlines. Accreditation of subnational governments often makes excessive demands (designed by ministries) of regional and local authorities, while, on the other hand, there is no higher agency that makes sure that the formal transfers are supported by real capacity building or sufficient new resources to carry new responsibilities.

However, implementers are not entirely free from interference from above. The case of the Ministry of Health (MINSA) showed that it is possible for reluctant higher levels of government to hold back on the transfer of public functions in a rare case where there is a clear will for decisive reform at the highest level of a ministry. Moreover, the case of the Ministry of Housing (VIVIENDA) shows that some particular programs within certain sectors are in effect off-limits for reform initiatives by sectoral authorities because of their political importance for the Presidency.

There is not one implementation process, but many. The nature of the actors involved in implementation, and also, to some degree, the legal framework for reform determined that implementation of administrative decentralization was to be not only a distinct stage of the reform policy process, but more accurately viewed as an aggregation of several decision-making processes in particular policy sectors. In this sense, it is quite distinct from the earlier agenda-setting and formulation stages where various actors interact at the highest-level political arena.

During this study it became increasingly evident that, in the case of Peru, during implementation there has been no single logic shaping the crucially important administrative decentralization process across different ministries, as each is free to approach reform quite distinctly and decision-makers face quite different challenges and opportunities. Thus, analysis has concentrated on explaining sectoral implementation *policies* rather than only viewing implementation as part of one single, statewide process.

The initial evidence of variation in approaches to reform (particularly because of the exceptional case of Health) was decisive in the choice not to expect a common logic shaping similar policy outcomes (little or no significant reform) at a heterogeneous group of agencies. Sectoral policy analyses of six agencies, in contrast, have identified different policies and contexts for policymaking.

These three sets of factors at the ministry level have, sometimes interactively, shaped sectoral transfer policies in particular ways during this stage of the policy process, relating to three conceptual approaches: 1) bureaucratic politics-type self interest, 2) institutional factors and 3) individual reformers.

While the formal transfer process almost always moved at a slower and less decisive pace than regional authorities and civil society would have liked, its slowness and apparent "hollowness" has not been an accurate reflection of common approaches or attitudes towards decentralization as a medium to long-term commitment. These approaches were better revealed through interviews and examination of official documents and were far from homogeneous. Attitudes (as confirmed by policies) ranged from blatant resistance to any significant empowering of subnational actors in what was a small agency with relatively uncomplicated tasks in decentralization (MINCETUR), to that of a careful, thorough planning of the long-term, with significant empowerment of such actors in a large, and complex agency (MINSA).

There is a need for alternative analytical lenses to understand the implementation process. Decentralization provides a scenario for reform that strongly suggests a leading role for bureaucratic politics-style explanations: those deciding how to execute reforms in particular sectors are precisely those actors that would lose resources and authority because of reforms, and therefore resistance to changes should play a leading role as a factor behind policy decisions. Indeed, it is difficult for those formulating reforms at the outset to delve into the details of sectoral reform, leaving major decisions to the each agency in charge of a particular sector.

By proposing and finding complementary roles for three alternative explanations of policymaking—rather than just analyzing through a self-interest lens—these findings have helped to understand that the dynamics of decentralization policymaking in Peru are far more complex than might appear at first glance. These findings should also constitute a valuable first step towards revealing the range of objectives and motivations of central government bureaucratic actors during the implementation of decentralization in Latin America.

Ministry-level actors, as mentioned, can decide the impact of reforms on subnational governments and yet we are only beginning to understand the factors that determine different sectoral decentralization paths. However, the impact of self-interested resistance should not be underestimated: evidence of such motivations among decision-makers was

present in every case examined here, but was not generally the key to understanding overall sectoral policies.

The permanent characteristics of ministries appear to be important for decentralization policies. In Chapter 4, ministries were grouped according to relatively stable characteristics such as budget size, amount of investment and type of service delivery system. These are the most salient characteristics, but we have found that there are other important dimensions along which ministries could be fundamentally distinguished and can influence policymaking, like the autonomy of offices or programs within a ministry.

To what extent do such long-term characteristics impact decentralization policymaking? While the limited number of cases makes it difficult to reach any definitive findings, the analyses in this study provide some clues as to what permanent characteristics of ministries are most relevant in implementing decentralization. In the first place, social and infrastructure ministries (in that order) do face greater challenges to rapid reform than smaller, promotional ministries.

The initial categorization of ministries was helpful in gaining a partial understanding of the approaches adopted in different cases. For example, even where social sectors show some degree of willingness to reform, they have to move slowly because of a complex, multi-layer service delivery system, where sectoral workers are well organized. This is an important factor independently of the role of particular institutional paths or reform

leaders, including ongoing reform efforts. While one should not forget that very substantial differences exist in the attitudes and commitment towards decentralization even between the somewhat similar ministries, such as Health and Education, it has become evident that, where large ministries like Education and Health were slow to take off, the smallest and least complex organizations like MINCETUR and PRODUCE fulfilled formal requirements quite quickly.

Just as social ministries face complex systems and organizational structures, infrastructure ministries analyzed here tend to have many semi-autonomous agencies (in charge of particular programs, projects) within their organizational structure that pose great difficulties in implementing reforms, as they each require individual attention and a dialogue process. Here, it is possible to see that the amount of investment spending has some relation with the structure of a ministry; it can be hypothesized that a greater portion of budget devoted to investment is closely tied to the emergence of semi-autonomous entities in charge of projects and programs, and that these offices are prone to resist decentralization efforts. The cases of MINAG and VIVIENDA provided a basis for such an indirect link between type of spending and resistance to decentralization, although no strong conclusions can be drawn yet.

Size and complexity of ministries do matter insofar as the ability to initiate reforms rapidly is concerned, but it does not seem to be closely related to the degree of self-interested resistance to reform among decision-makers. A degree of self-interested

resistance to change is detected everywhere, even if only in subordinate offices within a ministry. Yet the clearest example of policy being shaped by resistance to give up power is that of a small, relatively simple organization (MINCETUR) in charge of a promotional sector. Indeed, political will for decentralization reform is not related in any obvious way to budget size or the complexity of the service delivery system; smaller organizations were only faster in fulfilling formal transfers, but their policies did not show a significant degree of commitment to real change.

Administrative decentralization is very important in shaping reforms. Lessons from implementation studies and literature on institutional reform were very relevant, as they would have predicted the significant discretion of ministerial policymakers in shaping administrative decentralization. However, this is only one of the dimensions of state decentralization; to what degree is administrative decentralization crucial to fulfilling the fundamental objectives of decentralization?

An exploration of the case of Peru, from the agenda setting stage onwards, has shown the importance of administrative decentralization—as a dimension of state reform—for consolidating a real empowerment of subnational policymakers, ultimately the stated goal of reforms in the Constitution and legal framework. In a case like Peru's, fiscal and political decentralization can ring hollow if the decision-making autonomy that these promise for subnational governments is not translated into specific authority and resources in the key sectors for regional development. Sector by sector, it alone can give

substance to the objective of turning subnational governments into the main agents of development in their respective territories.

However, such empowerment does not come automatically with the formulation of an overarching legal framework. As mentioned before, because of political reasons and because of a lack of specific sectoral know-how among those formulating major decentralization laws at the outset, giving ministerial authorities significant discretion in defining sectoral transfers is almost inevitable. Thus, during implementation decentralization is shaped at once by a number of sectoral authorities who, at least in the case of Peru, work in isolation from one another and (in general) with respect to subnational authorities. Central agencies and other actors barely participate in defining these multiple, concurrent paths of decentralization.

Therefore, while many fundamental characteristics of fiscal and political decentralization were quite clearly formulated in the legal framework from the beginning, and further decision-making was to be made in a centralized manner, the content of administrative decentralization was only ambiguously outlined in key legislation. These norms left room for a range of outcomes in the transfer of authority and resources that went from substantial to virtually negligible, and these outcomes were to be decided by the relevant ministries and, in theory, by the central agency CND.

Weaknesses in the legal and institutional framework for decentralization, along with limited financial resources, have made it difficult—if not impossible—for central government agencies to monitor the impact of administrative transfers so far or to assess further needs of subnational governments in order to assume new functions. Obviously, if these weaknesses continue in the future, it will be particularly difficult to guarantee that any administrative transfers will really empower regional and local authorities. Thus, reforms will continue to lack any real content in terms of its ultimate objectives regarding subnational governments.

Regardless of current limitations and the actual policies of particular ministries, however, the Peruvian case illustrates how administrative decentralization can be the only dimension of state decentralization that has the potential to truly empower subnational governments as leaders of regional and local development. In contrast, the possibilities of fiscal decentralization truly empowering subnational governments as decision makers in Peru were rather limited, in the sense that, once the general rules were defined at the outset, very little was left to the initiative or discretion of subnational policymakers; for regional governments, new sources of revenue of any kind can only be proposed by central authorities, while borrowing is strictly controlled. There are several types of intergovernmental transfers and revenue sharing arrangements that have provided subnational governments with significantly greater resources, but they do not yet have the authority to use such resources in the most important areas of development.

In terms of political decentralization, the initial legal framework—which defined the major steps in the process of political decentralization in Peru—gave regional authorities a new legitimacy and formal autonomy, but few concrete new decision-making authorities in the fields of national public policymaking, in relation to what was left to be decided at the ministerial level. The steps taken towards political decentralization have not guaranteed the capacity to lead regional development. The legal framework does, however, leave room for subnational actors to initiate new types of territorial associations and form larger units at their initiative; but (as seen in Chapter 4) in practice the incentives for such changes have not been effective.

The outcome of administrative decentralization up to 2006: A reform in name only?

In most interviews carried out for this study and in various articles, observers and stakeholders of this process in Peru—in civil society and in subnational government—see an overall failed policy in 2003-2006 and also a lack of political will in most ministries as the key explanation behind it. However, there is one exception that is often mentioned, an agency with apparently genuine commitment to reform: the Ministry of Health.

The impression that many observers in civil society and subnational governments share is that the transfers from ministries to subnational policymakers between 2003 and 2006 only amount to a "nominal" decentralization of authority and resources, or a "decentralization in name only." Indeed, there are many common factors that all ministries face in formulating administrative decentralization policies—an ambiguous legal framework, for instance—and they all enjoy similar discretion in defining the terms

for such transfers, so that it is understandable that many observers and stakeholders point at a single, overarching determinant of policies: a similar lack of political will resulting in unsatisfactory progress.

However, the evident heterogeneity of ministries and policy fields, the different individual profiles of policymakers in charge of these, and the existence of many distinct measures necessary to block or to truly consolidate the empowerment of subnational actors (from capacity building to long term planning) all give reason to doubt any claim about ministries being only driven by self-interest. This is why the case studies in this dissertation had the objective of understanding why and how ministries formulate and implement overall sectoral *policies*, looking beyond the fulfillment of formal requirements that does not shed light on distinct approaches to reform, if indeed they do exist.

Slow reform can suggest purposeful actions towards stopping at purely formal or official transfer (as many have interpreted it), but there may also be other particular reasons for a different pace of progress. Indeed, some agencies have been laying the groundwork for more sustainable progress in the long term: Health is the clearest example, yet Agriculture and Industry, among others, also show evidence of a commitment to strengthen subnational policymakers, although within the constraints of resistance in offices within their organization, their institutional histories, and technical considerations particular to each ministry's policy field.

In terms of measurable transfers empowering subnational authorities, decentralization does appear to be a reform in name only. In terms of actual policies aimed at substantial change, however, there is no simple answer to the question poised at the beginning of this section. Advances towards real empowerment vary from ministry to ministry and, thus, from sector to sector. Administrative decentralization may be subject to a single set of general, overarching rules, but the significant discretion of ministries in determining each sector's decentralization means that administrative reform during implementation becomes a cumulus of distinct paths towards reform, rather than one single process.

Beyond, the distinct paths taken in each ministry, one can enquire how much of this initial "hollowness" of reforms is beyond the responsibility of ministries. On one hand, many ministries have indeed made no efforts to go beyond formal transfers or to carefully translate ambiguous legal framework guidelines into more specific guidelines that reflect the characteristics of their policy fields and organizational structures. This is the case of a small, promotional ministry like MINCETUR.

On the other hand, however, rules established in the overarching framework for reform and in lesser norms also constrained ministries' discretion to some extent. Many rules and requirements have been considered unreasonable and unrealistic. For example, because of CND rules, it was inevitable that initial "reforms" transferred no new authorities or resources, as the agency required ministries to begin with the formalization of activities

that were already deconcentrated. The execution of many other transfers that did suggest additional sectoral policymaking responsibilities was not closely monitored and they did not bring with them new financial resources. Indeed, CND (CND, 2006) and budget data show that all new financial resources transferred to regional governments at an early stage were tied to transfers of infrastructure or social projects that were not initiated by line ministries but by central authorities.

The institutional framework for reform is another very important factor that affected ministries on equal terms. Most notably, a weak decentralization agency—in whose board of directors subnational governments were unfavorably represented—was established that could not effectively enforce rules on ministries nor attend subnational demands. Yet, at the same time, in the rush to design and formulate this framework in time to meet he political promise to hold regional elections by late 2002, there was also little time for technocrats and legislators to carefully consult ministries regarding the details of administrative decentralization in each sector.

Indeed, the functions outlined for transfer were not the result of a thorough mapping out of functions and actors carried out at the central level throughout the Executive. Functions are listed at very different levels of specificity for each sector, some being extremely vague, general mandates affecting many organization—not at all reflecting actual organizational arrangements—while others are concrete activities that are associated with particular entities.

Moreover, the legal framework established at the outset of reform, like other laws established shortly afterwards, did not establish different reform processes for various conditions of deconcentration or delegation in each function that may have been found in different policy areas. Some sectors had undergone or were undergoing significant deconcentration at the time that the framework for reform was formulated, and yet this was not explicitly considered in the rules for reform.

Finally, while initially considered, ultimately no sequence of administrative transfers was established in terms of the needs of different groups of sectors. The ministries in charge of social sectors, like health and education, were eventually set for beginning reforms at the same time as much smaller agencies that had small service delivery systems and had already deconcentrated to the regional level in previous decades. In many ways, the legal framework for reform implicitly assumes that all agencies are starting reform on equal terms.

In term of the lack of efforts to assign additional resources for regional actors to assume responsibilities previously at the central level, there is also a common reluctance to engage Ministerio de Economía y Finanzas (MEF) in talks regarding new resources. As explained in Chapter 4, has been an extraordinarily powerful actor in the public sector, especially since neo-liberal adjustment in the early 1990s, and MEF technocrats have managed budget matters with extreme discipline and require much time and effort on the

part of ministries to even ensure that they receive budgets that would be expected on the basis of accustomed yearly increments. As mentioned in different cases in Chapters 4 to 6, decision makers at ministries consider that there is enough hardship in such normal budgeting processes and negotiations for them to assume additional tasks on behalf of the interests of subnational actors. This situation can also be considered a real constraint on ministerial policymakers if additional negotiations with such a powerful actor are truly beyond the reach of their resources and capacities.

Finally, even in reform-oriented Health, interviewees at the central level perceive regional governments as lacking many fundamental capacities and as not being ready to assume significant new decision-making responsibilities without substantial training and capacity building. Often, independent observers perceive this as a valid concern, but such preoccupations have not always led to national capacity-building campaigns by ministries. Where there has been such a concern with lack of capacities and it has been followed by efforts to improve conditions at the subnational level, one can speak of an additional valid reason to move slowly towards administrative decentralization.

Lessons about bureaucratic politics-type explanations

There are common factors that could help to explain a general slowness and ineffectiveness of reform that is not only a result of self-interest in retaining authorities and resources. In effect, despite the heterogeneity of ministries in terms of policy fields, service delivery systems, size, and budget, there are indeed common situations that

ministries face in decentralizing policymaking, and which could be seen as obstacles to giving up authority and resources.

Resistance could be found in all cases studied here. Moreover, the fact that administrative decentralization itself is not a single policy process but a combination of policies established by individual agencies reinforces a key point of the bureaucratic politics literature, in effect, that government policies are more the result of inter-agency conflict and negotiation than of single, rational processes. However, many cases of unsubstantial transfers cannot be explained outside a bureaucratic politics-framework. Ironically, for instance, it was at the apparently diligent Ministry of Foreign Trade and Tourism (MINCETUR) that decentralization was fundamentally considered an exercise in formalizing what was already in place at the regional level, an exercise that was finalized by 2005. Also, there was no place in official planning documents or vision and mission statements that indicated decentralization as a long-term commitment, nor was there any sign of any aspect of this process being considered by decision-makers as a pending task, including negotiations with other central government actors, monitoring, and evaluation of regional policymaking, or capacity-building campaigns. At the same time, of course, MINCETUR was the first agency to complete all scheduled transfers, having officially handed over all responsibilities all the way down to signed “actas de entrega” (official documents certifying the full delivery of functions) for the majority of regions.

While MINCETUR's policy appears as the most affected by bureaucratic politics, evidence of self-interested resistance to change is also found in other, quite diverse ministries and assuming different forms. In some cases, it can be understood as part of the agency's predominant approach (Industry Vice-ministry, for instance), while in others, particular programs, projects or other autonomous agencies within ministries, as in the case of the Ministry of Agriculture that has over a dozen autonomous agencies within its organizational structure. BP is pervasive in the bureaucratic layer but not equally powerful nor coming from same sources, or even assuming the same shape everywhere.

However, the ministries examined in Chapter 5 also showed that, alongside instances of bureaucratic resistance, there are factors that influence policies significantly but cannot be accounted for through a BP lens. In VIVIENDA, which at first might seem like a clear-cut case of unwillingness to give up power, a more complex set of issues is involved. When the framework for decentralization was implemented, the policy sectors under VIVIENDA were functioning in ways that were not amenable to the relatively quick formalization of existing deconcentrated activities that was presented as decentralization in other sectors. A minister with relatively solid pro-decentralization credentials provided technical and external pressure arguments to the effect that it was beyond his or his predecessor's possibilities to promptly start a decentralization of functions to the regional level. For example, several financing and construction funds that municipal governments desired could simply not be transferred without losing economies

of scale and the credit from international lenders that was obtained by central government could not be transferred to dozens or even hundreds of much smaller subnational governments. Bureaucratic resistance to giving up power that reflects external pressures, however, is clearly a consideration in some other aspects; it was understood that some programs that were politically important for the President should not be transferred. Thus, by ignoring the particular non-political dilemmas in this ministry by only seeing the unimpressive results of 2003-2006 through a bureaucratic politics account would evidently lead us to gloss over many valid and practical considerations in reforming a relatively complex ministry.

In Education, a sector known for its difficulties pushing through reform, the relative delay in the ministry beginning even the most formal administrative transfers can be, on one hand, be interpreted as providing further proof of the salience of bureaucratic politics lenses in the sense that it certainly would have avoided further conflicts or tensions in a sector where different groups of administrative and decision-making actors were slowly, and not entirely successfully, being realigned. On the other hand, however, the fact that such a deconcentration process was indeed underway before 2003 undermines an argument for delays as a result of an inherent resistance of top policymakers to decentralization. In fact, such a delay, viewed in light of MINEDU's reformulated decentralization model in 2003—which sought to make compatible sectoral processes with the new state decentralization program—could also be seen as evidence of genuine

commitment to meaningful change on the part of some policymakers who were more accustomed to working in terms of arduous, gradual change.

In any case, VIVIENDA and MINEDU are not in any way examples of success in administrative decentralization during the period under study, and so it could finally be said that different types of resistance to change (including CND presumably acting under Executive orders to hold back some initial formal transfers) ultimately prevailed in these sectoral decentralization outcomes. However, in MINEDU the existence of a parallel, sector-specific decentralization process that was started by reform oriented policymakers—and that considerably weakens the coherence of a BP account of MINEDU's decentralization policies—led us to explore some other ways to account for the outcomes of administrative decentralization in 2003-2006.

Bureaucratic politics is widespread, yet it varies significantly in intensity and location within the structure of ministries in a heterogeneous group. Just as importantly, when trying to account for policies—i.e., what ministries are doing regarding the mandate for decentralization and what they plan on doing—a BP lens cannot account for many aspects of transfer policy that seem to be unrelated to a calculated self-interest.

Moreover, because BP varies in different ministries—but not in a way that is related to more readily identifiable factors like size or budget—it seems like BP closely interacts or may be explained by other factors that also shape sectoral policies. What makes BP vary

from agency to agency? The evidence reviewed here does not support a claim that BP is greater in the largest, or more powerful ministries, or that it varies as a function of greater or lesser deconcentration. In fact, the classification of three groups of ministries introduced in Chapter 4, similar to that used in the Peruvian public sector, appears generally relevant to the types of challenges that each group of ministries faces in decentralization, but too broad to capture the precise factors that shape sectoral policies in each agency. For instance, it sheds light on the potential difficulties faced by social sectors like Health and Education, with large groups of unionized workers and powerful offices within each organization, but not about why one ministry would move ahead with far more impetus than the other in paving the way for meaningful reform.

Thus, a BP perspective helps to understand some aspects of observed policies, but it alone cannot explain why ministries move ahead with reform at different speeds and with quite different approaches. And yet this does occur, and the most visible clue before beginning the research was the case of the Ministry of Health. Moreover, when analyzing the first sample of ministries it was evident in at least two cases that specific factors, like the particular technical requirements of key programs and external political pressures on politically sensitive programs in VIVIENDA, made significant reform unviable.

Lessons about the role of institutional factors in each organization

While confirming the importance of BP, although it only partially explains most observed policies, a look at ministries through BP lenses also helped to confirm that there indeed

are distinct policies and they are not directly related to basic characteristics of ministries. For example, there are differences in how (and if) decentralization is integrated into overall sectoral plans as a permanent policy, there are different interpretations of the mandate for decentralization in terms of adapting (or not) the ambiguous guidelines in the basic legal framework approved in 2002 and 2003, different attitudes towards dialogue and capacity building in regional and local governments, and there are variations in the dedication of officials or offices permanently to these issues.

The literature review in Chapter 2 proposed two other distinct explanations that represent alternatives to a pluralist view focused on self-interest shaping policies: first, an institutionalist theoretical lens focusing on decisions shaped by the paths of evolving organizations and their structure. On the other hand, there is a policy literature that focuses on the role of influential individuals as decision-makers who are reform-oriented and design strategies to achieve their objectives.

In the cases of five of the six ministries that were analyzed closely—the Ministry of Agriculture (MINAG), social sector ministries, the relatively autonomous Vice-ministry of Industry, and VIVIENDA—the different histories of these organizations and their offices, previously implemented policies, and evolving organizational structures do matter insofar as they present challenges and opportunities to decentralization decision-making that translate into distinct approaches to decentralization policy. For instance, whether or not there was an undeniable political will for reform at the top, it is clear that

officials in many sectors have made efforts to translate the mandate for administrative decentralization to their institutions. This is clear in MINAG, for example, which attributes some of the slowness in moving ahead with reforms to the need to avoid political tensions within the agency by carefully translating functions defined outside the ministry. These are to be translated into more specific and accurate sub-functions that are compatible with the organizational structure of MINAG and the agencies within it that are in charge of specific policy areas.

Decentralization is not always well integrated into ministries' medium or long-term plans. Sometimes, it is impossible to find even a mention of decentralization in their official planning documents (MINCETUR). In some cases, there is only some evidence of decentralization or deconcentration efforts that are not quite in line with the reforms started in 2002, as in the case of the industry sector in the Ministry of Production, where there as been limited progress in terms of the current guidelines for reform; the Ministry of Education shows some progress on both sector-specific and overall fronts, while it has made efforts in the legal framework to make compatible current guidelines and previous sectoral policies towards deconcentration. Commitment to long-term decentralization efforts is also evident in MINAG and, especially, MINSA, which is the only sector to have begun work on a comprehensive, sector-wide reform as early as the first months of 2004.

Thus, besides adapting the guidelines for reform to their particular structure, several ministries have found it necessary to adapt ongoing deconcentration and other processes policies to new mandates, most clearly in the larger social sectors. Rather ironically, in two much smaller ministries in the promotional category (MINCETUR and PRODUCE), past advances in deconcentration to regional entities (in the 1980s and 1990s) are also used as a pretext to avoid working for more resources being transferred to regional governments; officials argue that necessary resources related to new functions were in fact already transferred in recent decades to the regional level and it is not the ministries' to ensure that current governments can take care of these formal transfers.

Another organizational characteristic that has an impact on distinct approaches to administrative decentralization in our case studies is the existence of a permanent decentralization office in an agency. While by law all ministries must have a Transfers Committee, this is not a permanent entity that is autonomous from other ministerial offices or devoted to planning or evaluating decentralization. Rather, it seldom meets and is composed of higher-level ministry officials focusing on the formal aspects of complying with function transfers. There are also cases of particular officials being (somewhat unofficially) put in charge of transfers, but they are officials of other agencies and thus not autonomous from key agencies within a ministry. On the other hand, a few ministries have had autonomous and permanent pro-decentralization offices that do work with a more coherent, long-term perspective. In the case of MINSA, its existence is tied to the efforts of a reformist minister and her top advisors, while in MINAG it has

continued to work, albeit slowly, despite the lack of decisive leadership from the top. Meanwhile, in 2003-2006 the largest and perhaps most complex ministry, MINEDU, had no single identifiable and permanent team or office in charge of looking after the process.

Like bureaucratic politics, institutional factors are observed everywhere as factors shaping decentralization policy. It is also pervasive and has many different types of manifestations and levels of impact on policy. In some agencies, like MINCETUR, the institutional evolution (of deconcentration in the 80s and 90s and downsizing in a context of neoliberal reforms) has in effect mostly served as a pretext not to give up any resources or new authorities in addition to what was previously transferred in a context of deconcentration. Industry has many similarities to MINCETUR yet, like VIVIENDA and others, it has also faced sector-specific technical factors that limit the possibilities of carrying out certain transfers of programs outside the center. However, the complexity of some ministerial structures, full of autonomous offices, programs and projects, has made swift change virtually impossible in ministries like MINAG and the social sector ministries, as there are many stakeholders with different degrees of resistance to reform.

As the previous paragraph suggests, not only are BP and institutional factors present together in many ministries but also they interact in different ways. The cases examined suggest that more complex ministries, with layers of relatively powerful and autonomous offices, have more actual sources of resistance to reform that can be understood through a BP lens.

Such is the case in the two infrastructure ministries that were analyzed: VIVIENDA and MINAG. In Education and Health, ongoing reform processes, which had had to deal with strong resistance to change within their organization, were gradually and carefully adapted to a new context. Interviews, and the political difficulties and slow rate of progress of reforms that were started previously to the current decentralization process and gradually adapted to the new contest, strongly suggest that it is well known that there is a need for careful consideration of the interests of powerful bureaucratic stakeholders in the social sectors.

Type of sector (promotional, infrastructure and social) does relate to a significant extent to the interactions between BP and institutional factors. In the smaller, less complex promotional ministries, which have been deconcentrated for a while and which have smaller service delivery systems, BP resistance appears to be coming from higher levels of decision-making. In the infrastructure ministries, the organizational structure is far more complex, and many agencies have significant discretion over sizeable budgets. Here, BP is also easily identifiable in a layer of particular offices within a ministry, which is different from smaller, promotional ministries where ministers or top decision-makers have greater authority over the shape of decentralization policy, but no reform-oriented policies have emerged.

Lessons about sectoral reform leaders: Although all too rare, they were decisive

While bureaucratic politics and institutional factors seem to interact everywhere in shaping sectoral decentralization policies, they do not quite account for the observed diversity of approaches to administrative decentralization in Peru. Finding a missing element, however, was not such a difficult task. As mentioned, there was an exceptional case—an "outlier" among ministerial policy outcomes—that suggested from the outset that there is a factor that can be decisive in steering policies at ministries towards more significant reform. The Ministry of Health was a relatively well-known exception and was mentioned especially often by interviewees in regional governments and analysts from civil society.

Thus, individual leaders' reform orientation is seen as an important factor that can, and does, shape policies, interacting with institutional factors and bureaucratic politics. As illustrated in the previous chapter, MINSA's Pilar Mazzetti appears as the only minister during this period that actively and openly pushed for meaningful change in her sector in the medium to long term. This occurred even as higher levels of the Executive, including the President, were losing interest in supporting the reform process. However, MINSA under Mazzetti did not have a policy only shaped by the minister's reform orientation: resistance to change within the ministry was explicitly recognized and addressed by the agency's top technocrats and by the decentralization office (Chapter 6). Meanwhile, the legal and institutional framework for previous sectoral reforms was made compatible with new guidelines early on, and these tasks took precedence over swiftly fulfilling

formal requirements by transferring functions that were already deconcentrated. Also, much effort was put into translating guidelines from above into a transfer policy that reflects the particular conditions of the Peruvian health sector.

The purposeful strategic actions of Mazzetti and her close advisors to set the stage for sustainable reform in the medium and long-term—including addressing political resistance, planning for capacity building and adapting ongoing reforms to a new context—fit in well with the views on reform leaders in institutional reform in the developing world that are described by Grindle (2001), Nelson (1999) and others. The minister and other officials' willingness to engage subnational authorities in decentralization, as well as a number of capacity building campaigns, made possible a favorable view of MINSA in comparison to other agencies involved in administrative decentralization. While only MINSA is clearly a case of individual reformers significantly shaping policy in a reform orientation, it provides some insights that could be researched further by comparing it with other cases abroad.

What difference did a reform-minded leader make? First, there was a more coherent approach to decentralization as an integral part of any reform process in the sector; there was a conscious effort to integrate different lines of reform in a participatory manner, as regional authorities were part of a series of national meetings where decentralization and specific health policy issues were treated as closely interrelated. Second, all work (planning, intergovernmental dialogue, careful mapping of functions and stakeholders

within the sector, etc.) began earlier than in other ministries and with input from technocrats who worked fundamentally on this issue. While an active pro-decentralization leader could not set the pace of reform at will, the comparison with agencies that shared characteristics (like MINAG, with an active decentralization office, and more relevantly, MINEDU, sharing many aspects as a large social sector) shows a much more decisive and early progress towards sustainable decentralization reforms, with only marginal effort put into simply formalizing what was already there.

While individual reformers can be a powerful factor in shaping decentralization policy, such actors appear only rarely. In this case it was an independent minded technocrat with an atypical profile within the Cabinet: one without a known political party affiliation and with well-established, and often controversial, policy preferences in the health sector. She focused on implementing meaningful change and not just on fulfilling formal requirements. However the complexity of the policy sector and the ministry's organizational structure determined that changes could not be swift, as many preliminary stages for reform had the fulfilled before a significant transfer of functions could begin.

Lessons for the future of decentralization in Peru and beyond

This study has important lessons to offer to the understanding of state decentralization in Latin America and its impact on development. Just as several studies on Latin American countries have shown that national politics are fundamental to understanding the beginning and initial shape of state decentralization programs, the findings of this study

add to this that the dynamics of implementation are crucial to understanding the impact of such reforms on their intended direct beneficiaries: subnational governments.

For decentralization to empower subnational governments as effective leaders of development in their respective territories, these authorities must assume new responsibilities in a number of sectors of policymaking. However, the Peruvian case has shown how, in the implementation stage of reform and in the administrative dimension of decentralization, transferring these functions and necessary resources does not depend on any single actor. Bureaucratic actors have significant freedom in determining the depth and timing of sectoral decentralization.

Even within the scope of a single overarching legal framework for reform, ministries can determine distinct paths of decentralization for different policy sectors. As literature on implementation has shown previously, all the specific details of reform cannot be determined beforehand at the central level, that is, by a high-level team of technocrats or by legislators in Congress. In the Peruvian case, this significant degree of discretion has led to different approaches to reform, yet, at the same time, the measurable results of over 3 years of sectoral transfers have not been significant. Some ministries have been partially favorable to reform, but still even these had not managed to achieve significant transfers to subnational authorities by the end of the Toledo administration. As literature on bureaucratic politics would lead us to expect, different sources of resistance to reform

have been found, some at the top levels of ministries, and others in specific areas of ministries accustomed to relative autonomy.

These findings can be construed as reason to be skeptical about the prospects for an effective, substantial decentralization of decision making in countries such as Peru. Indeed, they provide evidence that decentralization becomes an even more complex endeavor during implementation, when mandates from above are carried out through many different sectoral channels. Challenges can be expected to multiply as the very organizations that are to give up power have the upper hand in deciding their paths to reform.

However, these findings also provide reasons for some optimism. Behind apparently dismal results were found very different approaches to reform among ministries, and not just an invariable resistance to change. Despite the fact that administrative decentralization requires ministries to give up part of their authority over policy sectors, some ministries did lay the groundwork for substantial reform in the following years. In such cases, the fact that measurable progress was small in the period under study is also attributable to the attention that decision-makers had to pay to institution-specific factors: ongoing reforms, pre-existing deconcentration efforts, traditional autonomy of offices within ministries, among others. Moreover, in some cases decentralization was pushed forward by agencies within ministries that were exclusively devoted to sectoral decentralization, but which did not necessarily have the support of top decision makers.

In this sense, it is important to consider the dynamics of implementation in order to establish realistic objectives and expectations among the stakeholders of administrative reforms. Decentralizing administrative functions and resources within a policy sector presents particular challenges in each case; timelines for reform cannot be set uniformly for all such actors. For some ministries it was realistic to expect some significant reform by 2006, including the smaller promotional ministries, and yet these did not yield satisfactory results. Meanwhile, in other cases, even beginning reforms should have been expected to take time, as in Health and Education; in Health, a reform-oriented leadership was not enough to guarantee quick progress.

Thus, the findings presented here about the dynamics of implementation in decentralization strongly suggest a need for much closer attention to the particular needs (and resistances) of ministries in charge of decentralizing policy sectors, if decentralization is to strengthen regional and local development. In the case of Peru, there was a legal and institutional framework for reform that did not serve this purpose, with a decentralization agency lacking authority and resources to either supervise the process or to assist policymakers in facing their particular challenges. It appears inevitable that ministries should have substantial discretion in determining their paths of reform, yet there is also a need for strong orientation and supervision of the implementation process. On the other hand, the only example of a decisive reform leader

at a ministry lacked support from even the decentralization agency, which blocked some efforts for rapid advances through the more purely formal steps of the process.

Decentralization's success as an instrument for development depends on far more than a successful initiation of the process and the establishment of an adequate legal and institutional framework for reform. During implementation, sectoral decision makers can significantly determine the impact of reforms, and this is not necessarily an undesirable scenario insofar as ministerial authorities generally have the know-how and experience to plan specific transfers. However, sectoral policymaking should ideally become a more transparent and accountable process, with dialogue between central and subnational authorities, and with the participation of a decentralization agency that can take action in cases of overt, self-interested resistance to reform.

The national political context, of course, is always potentially important. National politics made possible early decisions in the Toledo administration and the beginning of the process. A lack of decisive leadership thereafter allowed ministries to decide the distinct paths of sectoral administrative decentralization. After 2006, the government of Alan García hardly lived up to his alleged decentralization credentials, introducing some important changes like the dissolution of CND but no clear mandate to rethink a process that continued to move slowly with many of the defects of the previous period. However, two years into this administration, national politics may have again played an unintendedly positive role for reform; in late 2008 a corruption scandal brought down the

Jorge Del Castillo-led cabinet, and the replacement as Prime Minister was none other than Yehude Simon, the independent president of the Lambayeque region who was interviewed for this study and is a respected pro-decentralization figure.

The study's general strengths and limitations

This study has generated significant findings on an important yet relatively unexplored area of research in the recent literature on decentralization: namely, the dynamics of implementation and their impact in shaping state decentralization. In focusing on this area it has necessarily also studied the policymaking role of ministerial implementers shaping reform in their respective sectors. This area appears as decisive for the outcomes of state decentralization in Latin America and in state reform processes in general, and requires close attention from policymakers if ambitious reforms are not to result in "decentralization in name only." The study has also shown the validity of three complementary analytical lenses that help to understand the complexity of this process, where motivations favoring and resisting reform interact.

Moreover, these findings have been based on a distinctive cross-sectoral analysis based on academic literature, official documentation and, especially, on interviews on the ground in Peru, getting first-hand accounts of stakeholders in the process, not only in central government but also in regional and local governments, as well as experts in NGO's and in academia who have closely studied decentralization in Peru. Thus, it has managed to identify particular factors shaping policies in different ministries.

However, the study has also faced some important limitations that must be noted. First of all, the international comparability (and thus, relevance) of the Peruvian case can be questioned given that this has been considered in many quarters as a rapidly stalled or failed decentralization, which initially promised to be significant. However, the process begun in 2002 did not end with the Toledo administration, despite sharp criticisms by the subsequent García administration. While the initial momentum has not been regained and some institutional factors have been changed, by and large the legal framework for decentralization was the same in 2008 as it was in 2003. From this perspective, what this study represents is a distinct time period of reform that is the beginning of a long-term process spanning several political administrations, as would be the better-known case of Mexico in the 1980s and 1990s (Rodriguez, 1997). The end of a political administration can be seen as a useful landmark in terms of framing the period under study, and while the study was being completed it seemed at different times that the beginning of a new administration could bring about a radical overhaul of the process, which ultimately did not happen.

The context for administrative decentralization in particular did not change dramatically after the change of administrations in mid-2006: sectoral reforms were not definitively halted and then continued, as of 2008, to be in the hands of ministries. Some institutional changes have occurred, yet the conditions for administrative reform are still mainly in the hands of the actors studied in this dissertation. Thus, while at the highest level of

government the process apparently was first stopped and then re-formulated in some aspects (such as introducing a new decentralization agency, the *Secretaria de Descentralizacion* located under the Prime Minister's office), the administrative reform that is the focus of this study has continued almost unaltered, confirming that this is an overlooked dimension of decentralization even by government officials.

Precisely because of the inconsistent way the process has been handled politically, the focus on administrative transfers justifies not abandoning this study. In effect, administrative reforms have moved almost independently of the national political arena, continuing slowly into the following administration. Moreover, this study covers a relatively short time frame, considering that decentralization is a long-term process and maybe it is unlikely to expect to consider impact on subnational development as a dependent variable of sectoral decentralization policies. Because of this, analyzing the territorial dimension of reform was also difficult, as sectoral transfers were not completed in most cases, and in some areas transfers did not reach all subnational governments because of certification requirements.

The focus on policymaking in different agencies can be considered an important first step towards understanding the dynamics of implementation in decentralization, but has also been a necessary decision. The slowness and hollowness of the transfer process and the relatively short time frame have determined a lack of available hard, reliable quantitative data that could provide evidence of distinct advances in each policy field. Indeed, the

overall lack of progress made this a rather peculiar study in the sense that it looks for variation in policymaking despite apparent lack of variation in the impact of reform across policy sectors.

A great deal of the findings here have been based on semi-structured interviews; their relative pros and cons have been considered since the outset. While the lack of structured design or standardized procedures also makes replication more difficult, without such flexibility it would have been impossible to probe deeply into relatively sensitive subjects in government bureaucracy, where a new interview might be difficult to obtain and where the openness of subjects to talk about certain issues varied significantly.

Another issue that merits further explanation is that of case selection: while all twelve cases (see Chapters 2 and 4) were preliminarily explored, in some cases it appeared particularly difficult to establish contacts within the institution. However, the original goal of having a sample of two ministries from each of the categories established at the outset (social, infrastructure and promotional) was accomplished. Some cases that were initially considered as candidates for more in-depth analysis could not be contacted successfully until quite late in the research. In the case of the Ministry of Transportation, an interview was held with a senior consultant involved in decentralization planning, yet it was arranged after other cases were studied and did not show the potential to illustrate any additional factors to those shown on other cases.

On the other hand, the perspective of subnational officials in a regional and a local government outside Lima (the beneficiaries of reform, in theory) on ministries as a whole and on some individual cases did provide for a more balanced set of views on the nature of the administrative decentralization process than would have been possible with only the view of bureaucrats in the agencies in charge of reform or of experts and other stakeholders who view the process from Lima.

Implications for further research

This study has, as one of its main strengths, its contribution to identifying and opening several potential new lines of research in the field of state decentralization. First, it has highlighted the often-overlooked importance of implementers as policymakers shaping decentralization, by bringing together the insights of at least two lines of research. On one hand, the literature of determinants of decentralization in Latin America, which has recognized the importance of political and other factors at the genesis of reform but has not yet looked at the politics of the implementation stage of the process with the level of attention paid to the national actors involved in initiating and formulating reform policies in decentralization. On the other hand, the literature on implementation, based mostly on U.S. cases, and the literature on institutional or second-generation reforms in the developing world, both of which provided decisive clues as to what could be expected in the implementation of decentralization.

Another important contribution of this research to existing decentralization literature is that it has provided evidence of the validity and usefulness of framing decentralization as a policy process with distinct stages, and, at the same time, the implementation stage as important to shaping outcomes and the process' impact on intended beneficiaries at the subnational level. In this sense, it points out the need to distinguish different policymakers and, at the same time, to integrate studies of different stages of state decentralization (including the identification of stakeholders and distinct impact of each stage) in order to provide coherent accounts of the determinants of such processes, which are an undeniable political reality in every region of the world. Finally, by focusing on administrative decentralization and its key actors, it has helped to confirm the importance of studying decentralization with a focus on the sectoral dimension.

Besides being a comparative study of implementers as decisive sectoral policymakers during state decentralization in Peru, this dissertation also functions as a case study of the dynamics of the Peruvian decentralization process that formally began in 2002. In this sense, it adds a case that has not been systematically examined many times to the body of literature that has been studying the determinants of state decentralization in Latin America. At the same time, it can be seen as a contribution to the broader body of research on state reform in Latin America that has been growing since at least the late 1980s. It sheds light on the role of implementers of mandates from above as policymakers in a country where such studies have not been abundant and, also, on the distinct challenges to be faced in different types of sector public policy.

It would be fruitful for other studies along the lines of research explored here to also look at the regional dimension of administrative decentralization. While the slow progress in the transfer process made that difficult in this case, it would be valuable to analyze differences in how subnational governments take different approaches to assuming new authorities and resources. Closely related, it would be important to understand if and how ministries relate in different ways to different subnational governments.

Because institutional factors and some strictly technical considerations have influenced the distinct approaches that have been found in sectoral policies in Peru, it would be very relevant to continue along this line of inquiry by comparing administrative decentralization in particular sectors across countries. While this has been analyzed to some extent in the social sectors in the context of second generation institutional reforms, other sectors should also yield interesting findings about particular characteristics that can shape reform in each policy field and service delivery system.

This dissertation compared different cases and utilized three analytical lenses that were both prominent and offered very distinct visions of what shapes policymaking. It would be interesting, as an alternative, to carry out this type of exploration with more nuanced differences between alternative lenses. This would help to resolve some issues that could not be analyzed in greater depth through the approach adopted here. For instance, distinguishing between different types of political resistance to reform: we have seen

evidence of internal resistance (from offices within an agency), resistance or at least lack of action from top policymakers in a ministry, and even resistance from outside, as when top levels of government made it known they did not want programs in the Housing sector to be touched by reform. What kinds of interaction are there between these factors? To what degree do they affect policymaking? Because this dissertation chose to have only one analytical lens that is overtly political, such questions could not be properly addressed here. On the other hand, types of reform leaders and types of institutional factors could also be considered and compared.

Finally, in cases where a longer period is analyzed, researchers could look at processes where evaluation of final impact of reform on subnational governments is possible. As mentioned above, this would make possible an analysis of the different stages of reform, and both a sectoral and a territorial approach to decentralization's impact. This last aspect would make it possible to account for the impact of sectoral policies and policymakers and, at the same time, incorporate the impact of regional conditions and decisions made by subnational policymakers once transfers have been implemented. Analyzing sectoral policies and finding the determinants of policymaking during implementation should still be a fundamental aspect of any such longer-term analysis of a decentralization process.

Appendix: Key informant interviewees in Peru

Stakeholders in decentralization process, 2001-2006:

Interviewed in 2004

1. Luis Pacheco, former consultant at Consejo Nacional de Descentralización
2. Hillman Farfán, senior consultant at Viceministry of Economy and representative of Ministry of Economy in discussions of decentralization framework in Congress.
3. Johnny Zas Friz Burga, consultant at decentralization office of Defensoría del Pueblo and former senior member of the decentralization framework design team at Presidencia del Consejo de Ministros.

Interviewed in 2005

4. Javier Abugattás, former Viceminister of Economy and current board member of the national *Mesa de Concertación de Lucha contra la Pobreza.*
5. Betty Contreras, official coordinating the implementation of decentralization transfer process at Ministerio de Comercio Exterior y Turismo (MINCETUR)
6. Carlos Ferraro, Director of Industry department at Ministry of Production (PRODUCE).
7. Manuel Álvarez, senior officer at PRODUCE.
8. Karima Wanuz, Education expert and consultant in 2003-2004 at Ministry of Education (MINEDU).
9. José Somocurcio, physician and advisor to Minister of Health (2003-2004).
10. María A. Valcárcel, physician and advisor to Minister of Health (2003-2004).

Interviewed in 2006

11. Ana Vicente, Decentralization and Finance expert at the Decentralization Office of the Ministry of Health (MINSA).
12. Carlos Izaguirre Jacinto, head of the decentralization office, UCAD at MINAG.
13. Ivan Rivera Molina, officer at Oficina General de Planificación Agraria at MINAG.
14. Rudecindo Vega, decentralization expert and Minister of Housing, Construction and Sanitation (VIVIENDA) during the Toledo administration.
15. Luis García Corrochano, advisor at the Viceministry of Transportation at MTC.
16. Luis Thais, head of CND from 2003 until July 2006.
17. Jorge Jara, Accreditation and Transfers manager at CND.
18. Yehude Simon, President of the Lambayeque regional government.
19. Eduardo Sáenz, Social Development manager at the Lambayeque regional government.
20. Miguel González, Planning and Budgeting manager at the Lambayeque regional government.
21. Juan Sandoval, Natural Resources and Environment manager at the Lambayeque regional government.

22. Estuardo Díaz, Chief of Investments Promotion and International Cooperation at the Lambayeque regional government.
23. Alfredo Vera, mayor of the Independencia district (Áncash region).
24. Eduardo Mauricio, municipal manager at the Independencia district.
25. Elda Maguiña, Economic Development manager at the Independencia district.

Peruvian experts and advocates:

Interviewed in 2004

1. Carlos E. Aramburú, head of CIES, the research consortium that groups Peru's top universities and research centers.
2. Claudio Herzka, head of the business institute IPAE and former consultant on decentralization issues at international organizations.
3. Francisco Sagasti, President of the research NGO FORO Nacional/Internacional and former head of AGENDA:Perú, a project that designed a development strategy for Peru based on academic research and participative processes.
4. Martín Tanaka, Political scientist and senior researcher at Instituto de Estudios Peruanos, author of articles on decentralization
5. Martín Valdivia, Economist and senior researcher at Grupo de Análisis para el Desarrollo (GRADE), currently involved in education decentralization research

Interviewed in 2005

6. Rodolfo Alva, local government expert at the Lima NGO ALTERNATIVA
7. Jorge Capella, Dean of the Education School at Universidad Católica and former president of Consejo Nacional de Educación.
8. Javier Iguíñiz, chair of the Economics department at Universidad Católica and author of several books and articles dealing with development and decentralization
9. Pablo O'Brien, head of the investigative unit at the national newspaper *El Comercio* and political analyst
10. Sandra Vallenas, Sociology professor at Universidad Católica and expert on Health issues.

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VITA

Gonzalo Xavier Alcalde is a native of Peru, with primary and secondary education in Peru and the United States. His undergraduate studies took place in Pontificia Universidad Católica (Peru) and the University of Louisville, where he received the Bachelor of Arts degree in the fall of 1992. Shortly thereafter he pursued graduate studies and received the Master of Arts degree in International Relations from the University of Kentucky in 1995. After several years of professional experience in research centers and the public sector in Peru, he entered the LBJ School of Public Affairs' Ph.D. program in the fall of 2002.

Permanent Address: Calle Diego Ferré 347, Miraflores, Lima 18, Peru.

This dissertation was typed by the author.