

Case Study 1 – Perú : Towards a System of Social Accountability¹

Background

The case of Peru illustrates a groundbreaking experience where a country, plagued with serious corruption scandals, was able to incorporate transparency and participation as priority issues in the government's agenda. This initiative was further supported through relevant components in a programmatic social reform loan (PSRL).

Why did this happen in Peru? When Alberto Fujimori completed a self-coup by suspending the 1979 Constitution, dissolving the Congress and dismantling the judiciary in 1992, Peru became the only Latin American country during the '90s to suffer a break in democracy.² Under the Fujimori administration, the State became associated with its widespread use of *clientelistic* relations and the use of social programs to persecute political opposition. In 1997 the Peruvian economy entered a recession witnessing a sharp increase in inequality between social groups and across regions, leaving 54 percent of the population living below the poverty line and destroying the country's productive apparatus. Moreover, the impunity of politicians and the captured media further contributed to deteriorate Peru's infant democratic system.

Fujimori's government came to an end when a video showing Fujimori's main advisor bribing a congressman was aired on cable television in September, 2000. New elections were announced two days later, but the citizens' disbelief and the unsustainable situation caused Fujimori to flee the country, sending his resignation through e-mail from

¹ This Note has been prepared by Mariana Felicio and Indu John-Abraham under the supervision and with inputs of William Reuben, Participation and Civic Engagement Group Coordinator, Social Development Department, and Katherine Bain, Civil Society Team Leader, Latin America and the Caribbean Region; World Bank. A presentation made by Federico Arnillas, *Director Ejecutivo – Mesas de Concertación, Perú, at the ESSD Week, 2003, provided information and analytical insights on the Peru context.*

² El Comercio 2000, Empresa Editora El Comercio. Lima, Peru.

Japan. This event became known as the most severe corruption scandal in Peruvian history.

In this context, Fujimori's ten year legacy in Peru left a socio-political climate ripe for unprecedented change. For the first time, there was a spontaneous outpouring of collective action towards democracy between social organizations and political parties. With an ample national consensus, Valentín Paniagua was elected to lead the transition government for nine months. Its strength was based on a shift from a 'top-down' approach to the use of dialogue and negotiation as fundamental mechanisms to achieve consensus and respect for an institutional and democratic framework. Since President Paniagua's election was viewed to be the result of a just and clean process, a positive atmosphere for civil society and government relations was created. Some of the achievements of the Paniagua administration were: (i) an effective neutrality of the State during the political campaign, (ii) a consolidation of a dialogue and transparency culture, and (iii) a proactive relationship between the government, social movements and civil society organizations.

Three National Processes

The transition government experienced three important national processes that encouraged the inclusion of transparency and participation components in the PSRL. These were (i) a concerted process for a Fight Against Poverty through the organization of multi-stakeholder roundtables or *mesas de concertación*, (ii) the formulation of national development goals, and (iii) the State's decentralization reform. As an attempt to combat poverty, government and civil society representatives created a plural space for dialogue with the objectives of designing social policies and overseeing social programs called **Mesas de Concertación para la Lucha Contra la Pobreza (MCLCP)**. The *Mesas de Concertación*, officially created in January 2001 under Paniagua³ are spaces for dialogue and negotiation, characterized for having a national and decentralized structure. They represent various ministries and a multiplicity of civil society organizations (CSOs). Half of the Executive Committee members (51 percent) represent the national, regional or local governments

³ This effort has continued to be reinforced by the current administration.

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and the rest are comprised of a wide range of CSOs.⁴ At the inception phase of the MCLCP, discussions were held to define general guidelines on social policy and its relationship with economic policy, later denominated *Carta Social*. From these dialogues emerged Concerted Development Plans, which gave CSOs a more proactive role by serving as monitors of the implementation of local development plans and as ‘watchdogs’ for tracking budget tracking of some social programs.

The *mesas de concertación* contributed to the elaboration of national development goals in early 2002, the outcome of which was the **National Agreement**. Seven national parties, the church, industry, the business sector, and labor unions committed to the agreement that consisted of identifying regional priorities and then institutionalizing them. To date, the National Agreement has formulated thirty State policies in four key areas of national development: (i) the institutionalization of democracy, (ii) social equity and the fight against poverty, (iii) competitiveness, and (iv) the fight against corruption. Currently, benchmarks for monitoring the institutionalization of these objectives are being developed.

The third concerted process was the State’s **decentralization reform**. This process helped institutionalize the need to identify regional priorities by incorporating the regional level (between the national and the local) as a new level of authority in the State structure. It entails a gradual transference of functions from the national level to the sub-national levels aimed at strengthening local capacities. Presently the legal framework also stipulates a gradual shift of responsibilities in social areas – such as education and health services – and competencies in terms of regional investments, from the National government to the sub-national ones in the coming years.

Additionally, the decentralization norm makes it obligatory to use participatory budgeting and concerted planning mechanisms at the local and regional levels. Both of these mechanisms are instruments intended to facilitate the development of inclusive government agreements, to make the fight

⁴ From the government side, the Social Ministries, Production Ministries, Economy & Finance Ministry and the Prime Minister are represented; the types of civil society organizations included are NGOs, CBOs, labor unions, the private sector and religious groups. To date there are 1,024 ‘*mesas*’.

against poverty more effective, and to consolidate the State’s democratic decentralization reform.⁵ The first stage of this process (2001) was the development of preliminary versions of the strategic development plans. This process was then ratified and consolidated in 2002 with a first-time experience-- each region in the country discussed its priorities for 100 percent of the available resources for that region (the investment ceilings were distributed between regions according to the severity of poverty). Finally, this process was linked to the regional plans with a participatory formulation of the 2003 National Budget.

One of the outcomes of the process included the formulation of concerted plans and budgets in 22 of the 24 regions within the projected investment ceilings for the year 2003. As much as 40 percent of the regions completed participatory budgets with support from all of the public regional administrations, all the mayors, and the principal civil society organizations. These were then included in the 2003 National Budget. The future plans to sustain and consolidate the process even further include: (i) training local and regional authorities in formulating concerted plans and participatory budgets, (ii) constructing a legal framework to establish a stable institutional environment during and (iii) updating the concerted plans and participatory budgets for the 2004 National Budget.

Mechanisms for Promoting Transparency and Participation

Accessibility to and reliability of information are fundamental to citizen empowerment. In the case of Peru its endogenous circumstances, specifically, the desire to reduce the high level of corruption as well as the commitment to the process of decentralization created ripe conditions, through the consensus of government officials, civil society leaders, and a Bank team, for the incorporation of *transparency* and *participation* as key components of the new programmatic social reform loan given by the World Bank.

Using various Participatory Management and Monitoring tools, specific actions were taken to

⁵ Look at Annex I, “The Arithmetic of Equitable Democracy” for a brief summary of what a participatory budget is and how it is formulated.

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enhance quality and access to information as well as to promote social accountability on numerous fronts.

In Peru, the following actions for enhancing social accountability were implemented. These actions were supported by three PSRL credits as well as grants from the World Bank.

1. Participatory Development Planning

Objective: Identify needs and priorities through a participatory process that will serve as the basis for budgetary decision-making.

⇒ Action: The *Mesas de Concertación* produced Concerted Development Plans.

2. Participatory Budget Formulation (PBF)

Objective: Determine budget allocations as efficiently and transparently as possible by ensuring that budget decisions reflect consensus-determined priorities and removing information barriers between state and society.

⇒ Action: Budget allocations based on Concerted Development Plans.

3. Open Budget Information

Objective: Ease the access and use of public information to enhance budget analysis by citizens and public officials alike in order to enhance public knowledge and accountability.

⇒ Action 1: The Financial Integrated Monitoring System was modified to supply budget information of the national, regional, and local levels. Also known as the “friendly window”, it was made accessible via internet to CSOs and local governments.

⇒ Action 2: Independent budget analysis initiated by a CSO/think tank.

4. Ensuring Reliable Information

Objective: Improve the quality and credibility of the information systems through the use of autonomous and credible sources of information with external oversight.

⇒ Action 1: The National Statistics and Information Institute (INEI), was

regulated to ensure its independence and reliability of information.

⇒ Action 2: A presidential decree was approved and enacted to standardize and centralize information produced and used by government ministries through the Geographic Information System (GIS)

5. User-Feedback on Services

Objective: Solicit opinions and feedback on the efficiency and effectiveness of services as well monitoring transfers from central to local governments.

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⇒ Action 2: Report cards⁶, a participatory monitoring tool, were used to supervise protected programs over a determined period of time.

⇒ Action 3: SIVISO, a pilot monitoring and accountability program, supervised by the Ombudsman – government of Peru – CSOs, was constructed.

6. Measuring Improvements in Transparency and Openness

Objective: Evaluate progress in standards of transparency

⇒ Action 1: A transparency module was included in the IV National Household Survey (ENAH0) to establish an initial baseline.

Since governments that move towards increased openness often are frustrated by an increased perception of corruption, a module designed to gauge citizen expectations of participation in policy processes, engage with officials and gain access to transparency was incorporated into the National Household Survey.

Potential Limitations

As no methodology is perfect, the implementation of these methodologies may also run the risk of

⁶ Look at Annex II, “Participatory Performance Monitoring Tool: Report Cards” for a brief summary of methodology.

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encountering some potential ‘blind spots’. In the case of Peru, some of the encountered tribulations in achieving an ideal system of social accountability have been:

- *Difficulties in achieving full transparency of information systems* due to a lack of consistency in budget information, insufficient disaggregated data by sector available in the “friendly window”, absence of sufficient physical infrastructure, including necessary programs to download from website, and no sanctions yet for the omission of information.
- *Capacity-building efforts have lagged behind the rapidly moving decentralization process.* The swift passage of the legal frameworks governing decentralization have outpaced the corresponding requisite to develop the human and technical capacity, particularly at the regional and local levels to assume their new and increased responsibilities for participative public management. Both civil society and government alike are unaccustomed to the rules of participatory engagement, and lack clarity in terms of roles and responsibilities in various scenarios as the new laws have not yet been translated into administrative procedures.
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- *Weak performance-based public management culture* due to the lack of a results-focused reward/penalty system; the weak capacity of human resources and the limited access to credible sources of information.
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Implications: Towards a System of Social Accountability

The set of actions encompassed in the case of Peru points at building a system of social accountability that links vertical and horizontal accountability mechanisms along the policy cycle in a sustainable way. Almost all faces of the policy cycle described in Figure1 are covered by actions undertaken by civil society organizations. Currently, these actions are not linked together, but they have the potential of conforming a virtuous loop of information-action and mutual feedback. The involvement of the Ombudsman in the social monitoring system also

provides an opportunity to build vertical and horizontal links.

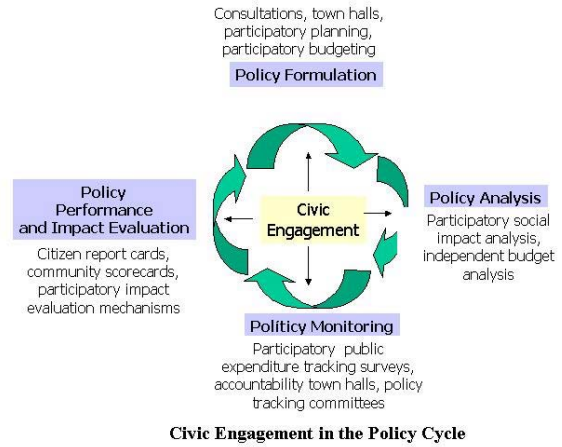


Figure 1

Although there is an ongoing debate about what effective and sustainable social accountability mechanisms entail, most agree that the *context* and the *capacity* of civil society to exercise social agency are the most important factors.⁷ In this sense, the sustainability of the social accountability cycle relies on creating an enabling regulatory and policy environment, and on building the capacity of civil society organizations to hold public institutions accountable to citizenry.

The most important contextual elements can be summarized with the **ARVIN** acronym which stands for the *regulatory* and *policy* frameworks that affect the ability of citizens to *Associate*, mobilize *Resources*, have *Voice*, access *Information*, and *Negotiate* with decision makers.

⁷ From a paper by William Reuben presented at the ISS 50th Anniversary Conference: “Globalization, Poverty and Conflict”, The Hague, October 2002.

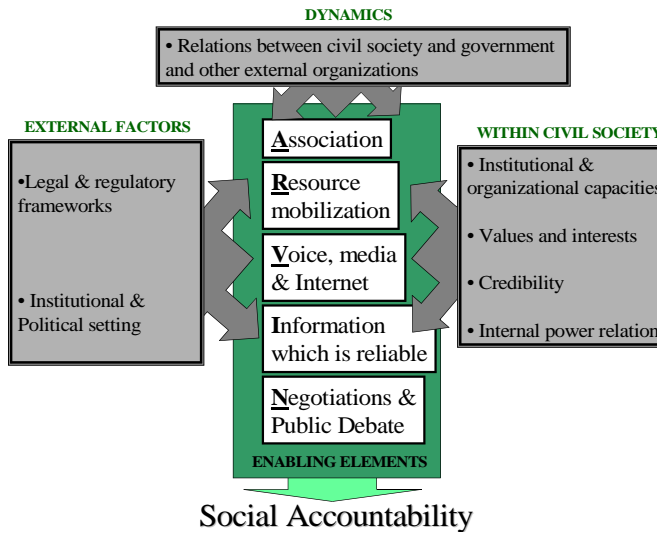


Figure 2

Other important factors underpinning the effectiveness and sustainability of social accountability actions are the institutional and organizational capacities within civil society, as well as its political economy, credibility, and internal power relations. The nature of the relationship between the government and civil society actors also intervenes as an enabling or disabling factor (see Figure 2).

Although at times in its embryonic form, key enabling factors for building a sustained and effective system of social accountability are present in Peru. The steps taken by the Ministry of Finance to build a reliable public expenditure management information system, and the approval by the Congress of legal frameworks enacting participatory processes for the local, regional and national budgets comprise relevant measures to institutionalizing civil society access to information, negotiation and voice around the public policy cycle.

Through grants made available by the World Bank and other donors, civil society organizations have taken on capacity building activities to provide analytical insights and skills to *Mesas de Concertación* to understand the public budget and actively join participatory planning and budgeting processes.

The decentralizations framework also offers opportunities for accessing information, voice and negotiation to local civil society organizations, which in the past have been excluded from participating in public debate.

Some of the lessons learned from the experience in Peru to take into account when replicating the experience are:

Lesson #1: The need to include a variety of civil society organizations, from elites to broad-based and decentralized participation, to ensure inclusiveness and sufficient capacity.

Lesson #2: Importance of assuring that information systems include rights and entitlements of the population. This is fundamental to empowering citizens since they can only demand better services if they know their rights.

Lesson #3: Key to the longevity of the system is the institutionalization of the processes that are favorable for civic engagement. The results of increased transparency and participation will only show if these mechanisms are continuously enforced over a sustained period.

Lesson #4: For optimal effectiveness, it is important to plan good sequencing for articulating entry-points and mechanisms and develop synergies among them.

Lesson #5: The links between horizontal and vertical accountability should be strengthened and expanded. Evidence shows that civic engagement in vertical accountability contributes to improving public expenditure targeting of poverty reduction strategies and enhance the quality of services delivered.⁸

The case of Peru is an example of a social accountability system in the making. Though this experience is still in its initial stages, the results are promising. Participatory mechanisms that operate around the public budget and policy cycle offer tools to strengthen the correlation between citizen priorities and public decision-making, and therefore, help to better target poverty reduction strategies.

⁸ Ibid.

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Annex I: The “Arithmetic of Equitable Democracy” based on the Porto Alegre Model

In 1997, the 16 regions of the city expressed differing levels of interest in seeking investment for street pavement which later determined how much money they received for the sector. The amount distributed depended on three criteria and a relative weight for each. Take two regions: the Extremo Sul, a region with 80.21% need for pavement, and the Centro, with 0.14%. Under the need criterion, with a general weight of 3, the Extremo Sul received the highest grade (4) and so got 12 points (3 x 4), while Centro, with the lowest grade (1) got 3 points (3 x 1). Under the population criterion, which carried a weight of 2, the Extremo Sul, with a population of 20,647 inhabitants, had the lowest grade (1) and hence got 2 points (2 x 1), while the Centro, with a much bigger population (293,193 inhabitants), had the highest grade (4), getting 8 points (2 x 4). Finally, under the criterion of priority, which carried a general weight of 3, the Extremo Sul gave the highest priority to pavement earning grade 4, and ending up with 12 points (3 x 4), while the Centro gave a very low priority grade to pavement, thus receiving no points (3 x 0). As a result, the total sum of points of the Extremo Sul for street pavement was 26 points (12 + 2 + 12), while the Centro's total sum was 11 points (3 + 8 + 0). Since the total number of points for all regions was 262 points, the Extremo Sul received 9.9% of the investment, that is, 1,985 meters of street pavement, while the Centro received only 4.2% of the investment, that is, 840 meters of pavement.

Source: De Sousa Santos, B. “Participatory Budgeting in Porto Alegre: Towards a Redistributive Democracy.” *Politics and Society* (26), 1998.

Annex II: Participatory Performance Monitoring Tool: Report Cards

What is it? A participatory survey that solicits client feedback on the performance of public services. It combines qualitative and quantitative methods to collect useful demand side data that can help improve the performance of public services. But it goes beyond being just a data collection process to being an instrument to exact social and public accountability since it is accompanied by a large degree of media coverage and civil society advocacy.

When do you use it? Citizen Report Cards are used in situations where demand side data, such as user perceptions on quality and satisfaction with public services, is absent. By collecting and aggregating user feedback they provide an avenue for citizens to signal public agencies and politicians on key reform areas, and also to create competition among state-owned monopolies. Some of the actual applications include (i) basis for performance based budget allocations to pro-poor services (Philippines), (ii) cross-state comparisons on access, use, reliability and satisfaction with public services (India), (iii) supplementing national service delivery surveys (Uganda), and (iv) governance reform projects (Ukraine and Sri Lanka).

What does it tell you? Citizen Report Cards provide feedback from actual users of services regarding issues such as: (a) Availability of services, (b) Satisfaction with services, (c) Reliability/Quality of services and the indicators to measure these, (d) Responsiveness of service providers, (e) Hidden costs - corruption and support systems, (f) Willingness to pay, and (g) Quality of life.