
Part IV
Latin America

Decentralisation processes in Latin America: achievements and challenges for international cooperation¹

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In this essay, we assess the interventions of international cooperation in the area of decentralisation and local development in Latin America. Based on the results, we offer a number of reflections on the form in which international cooperation could more adequately adapt to local situations in the region, promoting socio-economic development, citizenship, and democratic institutionality.

The importance that issues of government and local development have acquired, in the work of international cooperation and development organisations during the last decade, is obvious. It is thought that local governments provide the opportunity for greater participation by the population in decision making and that they represent an important factor in the democratisation of society. The collection edited by Charles Reilly³ reports on this new tendency, which is undoubtedly related to the decentralisation and reform of the State in Latin America, and which is being put into practice by a number of countries in the region. It is also found to be associated with the process of 'redemocratisation' – such as a return to the

electoral system for local authorities – after authoritarian periods or as a product of peace accords.

The support of countries like Germany, Canada, United States, Italy and Switzerland for the decentralisation process, is related to the history of the decentralised political and economic configuration in these nations.

This tendency not only influences the actions of official cooperation, it also affects private aid. A study undertaken by the Latin American Association for Popular Organisations (ALOP) highlights the new importance that Latin American NGOs have been assigning to the strengthening of civil society at the level of local development. In Uruguay, the priority that the vast majority of NGOs have accorded to local concerns is notable. There are agreements in such areas as nursery management, youth centres, health programmes, regulations for precarious settlements and so on. In Colombia, NGOs are allocating a new level of priority to the issues of management, development and consensus building at local level. This coincides with the fact that municipal government resources increased considerably, after the passing of the 1993

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Law 60. Something similar occurred in Chile, where local governments' own income sources increased by 36% between 1985 and 1991. NGOs have joined planning committees and are frequently responsible for carrying out the proposed projects. This changes their approach to dialogue with the people and with governments. Brazil has had noteworthy experience in participation and budget allocation at the municipal level, with popular administrators, and in numerous councils (federal and state as well as municipal) linked to particular public policies and/or defence of the rights of certain sectors of the population (children and adolescents). This is the result of the process of institutionalisation of popular participation embodied in the 1988 Constitution.

In Bolivia, the Popular Participation Law passed in 1994, decentralised the budgetary process in the Republic and instituted mechanisms for the participation of social organisations in local management.⁴ In Peru, a survey of a sample of 89 NGOs highlighted the fact that the majority of these organisations work with local governments. In recent years, coordinating bodies have been set up by the Metropolitan Municipality of Lima and NGOs, with programmes in health, food and lodging or urban development.

We will focus our attention on local development support programmes in Bolivia, a country in which international cooperation has played a very important role, representing about 50% of investments. Decentralisation in Bolivia is of particular interest, not only because of a significant transfer of public resources (the Popular Participation Law granted the municipalities one fifth of the Republic's budget) and the leading role assigned to the municipalities, but also because of the way in which the population has been integrated into local development planning.

International cooperation in Bolivia

The decentralisation policy is reflected well in the area of international cooperation where various organisations have begun to develop programmes directed at local development. A rapid overview of implemented programmes follows:⁵

European Commission: food security support programme (PASA)

This was a five-year programme, which began in 1997. It had US\$60 million in financing and had as its principal objective the funding of programmes and projects aimed at reducing food insecurity in the poorest municipalities. Its main efforts were directed at: promoting economic activities to develop agricultural production, guiding investment for projects that were complementary to other development actions, and strengthening popular participation methods and administrative decentralisation, through the financing of projects that form part of municipal, departmental and national development strategies.

Its intervention strategy was based on two complementary components. The territorial component covered 78 municipalities, where local and regional projects were supported. The sectoral component involved support for programmes of national or sub-national interest.

There have been numerous criticisms of the implementation of PASA. It is felt that national government and public departmental bodies have used their influence to ensure the allocation of jobs and resources to further party interests and clientelism. For this reason, international donors and public opinion suggest that the public management of departments and social programmes needs to be reformed. In the case of PASA, it would be convenient for the European Commission to push for greater social monitoring, setting up civil society

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Table 5. Characteristics of PASA-funded projects

TYOLOGY	NUMBER	US\$ MILLIONS	%
Processing facilities	2	0.02	0.04
Warehouse facilities	2	0.03	0.05
Support for the tourist sector	2	0.17	0.29
Commercialisation services	5	0.18	0.31
Emergency actions	1	0.69	1.20
Institutional strengthening	5	0.92	1.59
Preinvestment	34	1.68	2.91
Support for farming production	24	7.54	13.06
Risk precautions	71	10.45	18.10
Training, technical assistance services	45	13.64	23.62
Roads infrastructure	115	22.42	38.83
	306	57.74	100.00

Source: PASA Minutes 1997-2002.

monitoring mechanisms for this type of programme.

Germany: support programme for decentralised public management and the fight against poverty (PADEP)

This programme is meant to increase efficiency and transparency in decentralised public management. It considers three areas of intervention:

- a. Regulatory and institutional frameworks for decentralisation policies,
- b. Sectoral, territorial and institutional development strategies,
- c. Independent income, transfers, credit market and capital for municipalities and prefectures.

In the municipalities of Chaco and Norte de Potosí, and corresponding associations of municipalities, as well as in intermediary municipalities for departmental capitals, PADEP supports the strengthening of management capacity, which includes the quality of access to public services, local strategies against poverty, financial management, and conflict management. Cooperation with departmental prefectures is aimed at strengthening strategic planning.

Denmark: sectoral programme of support for decentralisation and popular participation

Between 1997 and 2002, the Sectoral Programme of Support for Decentralisation and Popular Participation were implemented

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through the Danish International Cooperation Agency (DANIDA), and covered 27 municipalities in the most economically depressed areas in the departments of Chuquisaca and Potosí. Its method of operation was the transfer of resources to municipalities that had prioritised productive infrastructure (roads, bridges, irrigation systems) in local development plans. The total expenditure amounted to US\$15 million.

Denmark has decided to concentrate its future cooperation with Bolivia on the National Indigenous Development Programme, including sanitation and native community land title processes in the highlands and lowlands of Bolivia; it will no longer, therefore, allocate resources for municipalities.

Netherlands: programme to implement popular participation and administrative decentralisation

A donation of US\$14.6 million from the Dutch government made the implementation of this programme possible between 1994 and 2002. It was aimed at strengthening the institutional capacity of the 314 municipalities and the nine prefectures in Bolivia, to enable them to carry out their executive responsibilities in effectively. It included: the contracting of technical personnel for the National Secretariat for Popular Participation, currently the Vice-Ministry of Popular Participation, support in obtaining legal status for local social organisations, training on the Popular Participation Law in approximately 150 municipalities; and financial support for the setting up of local development organisation.

Aid for decentralisation and popular participation was channelled through the Ministry of Sustainable Development and the vice-ministries of Popular Participation and Government Coordination.

The programme allowed greater popular participation in planning, execution, and the monitoring and control of municipal and prefectural development plans.

The Netherlands also supports the recently established Federation of Municipal Associations (FAM) in carrying out its functions. These consist of defending municipal interests vis-à-vis the national government and providing technical services to its members.

The Dutch government is also developing a programme of cooperation in Productive Rural Development (DPR) in Bolivia. This has the aim of fighting poverty through the promotion of sustainable economic growth, improvement of income levels and the creation of employment in rural areas.

Switzerland: Rural Development Programme (PADER) and Municipal Democracy Support Programme (PADEM)

The Rural Economic Development Promotion Programme has been underway since 1998, as part of an agreement between the Bolivian government and the Swiss Agency for Development and Cooperation (COSUDE). With an allocation of US\$1.9 million, it is directed at generating a new vision of rural economic development, based on economic stimulation at the municipal, departmental and national levels. The target of PADER's efforts is the private investor (small, medium-sized producer, processor and marketer).

The programme has been criticised for concentrating its support on current, successful experiences in high profit areas, instead of developing new initiatives.

Swiss cooperation also finances PADEM, which aims to contribute to the equitable and sustainable development of rural municipalities, through the active participation of communities, as part of the

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implementation of the Popular Participation Law.

Among the activities being developed in the programme are workshops with indigenous peasant organisations in selected municipalities, municipal workshops and the preparation of proposals by various local actors, training for local promoters in the municipalities, regional courses, and mass dissemination of information from the municipalities.

PADEM operates directly in 18 selected municipalities in the departments of La Paz, Chuquisaca, Oruro, Potosí, Beni, Santa Cruz and Cochabamba. From these, its influence spreads to almost a hundred neighbouring municipalities. The first phase of the project went from April 1996 to March 1999. A second phase was implemented from April 1999 to March 2002. A third phase was begun in April 2002.

World Bank: Rural Community Development Project

From 1994 to 1997, the Rural Communities Development Project (PDCR I) was carried out through the National Secretariat for Popular Participation, now the Vice-Ministry of Popular Participation. It included a provision for institutional strengthening at the municipal level, with a budget line of US\$4 million, for: the formation of a consultative team within the National Secretariat for Popular Participation; the accreditation of NGOs, consulting firms and independent professionals in participatory municipal planning methodology; technical follow-up and evaluation of processes and products stemming from the participatory formulation of 90 municipal development plans; and, finally, the monitoring and evaluation of 1600 projects involving investment in productive infrastructure, which were at that time submitted to the Peasant Development Fund.

From 1998 to 2002, the Participatory Rural Investment Project (PDCR II) used a loan of US\$5 million for the strengthening of institutions at the municipal level. This was aimed at: consolidating the consultative team of the Vice-Ministry of Popular Participation; undertaking technical monitoring and evaluation of the processes and products of participatory formulation of 100 municipal and 13 indigenous district, development plans; as well as the training of 35 supervisory committees as social auditors, as defined by the Popular Participation Law.

Private aid: Network of Promotions and Education Networks Programme (AIPE): 'Productive Peasant Municipalities' (2000 to 2002)

The Productive Municipalities programme, implemented by AIPE with financial support from the Dutch NGO NOVIB, contributed to the development of productive municipalities in order to strengthen the peasant economy, stimulate local economic development in an equitable manner and reduce levels of rural poverty. It was developed during the three-year period 2000 to 2002 with a budget of US\$387,272, with the intention of continuing during the 2003 to 2005 period. The network has 29 members, of whom 15 participate in the Productive Municipalities programme, albeit with different levels of commitment.

AIPE prepared the conceptual and operational proposal for the programme, based on concrete experiences of its members, in coordination with other institutions such as PADER/COSUDE, GTZ (German Technical Cooperation) and the Vice-Ministry of Strategic Planning and Popular Participation. The coordinated effort facilitated the preparation of a Guide for the Formulation of Municipal Economic Development Strategies (EDEM)⁶.

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The municipal economic development strategy was put forward as a medium to long-term process as part of the concept and methodology of participatory municipal planning. It describes the State/Civil Society relationship on development matters in municipalities and with associations of municipalities. It is directed at creating a shared vision of municipal economic development and enhancing consensus among actors, applying the principles of complementarity, concurrence and subsidisation among public and private investors.

The AIPE Productive Municipalities project has been guided by the following objectives:

- Modification of 55 municipal development plans, introducing the concept of Productive Municipalities;
- Preparation of analytical summaries of experiences related to the productive development model;
- Training of member NGO promoters.

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The relevance of the new municipal leadership role in local development and the democratic life of the country is unquestionable. The role of promoter and consensus builder, in political and development spheres, breaks away from the centralist and charity-oriented vision of public policies. The popular participation method has democratised management of local government. It has given the peasant population more influence, counteracting the former practice of giving the urban population a disproportionate weight in decision making, even in predominantly rural municipalities. There is agreement that municipalities use resources more efficiently, and more in line with people's needs than departmental prefectures and national Government do.

Despite the advances that have been made, there are still some significant obstacles to local economic and social development. Democratisation has not been extensive in departmental governments, where the authorities (Prefects) are designated directly by the central government, using partisan criteria. Prefects control a large portion of public expenditures (45% of the Republic's budget), which results in a high level of managerial inefficiency and corruption. For their part, departmental councils have not managed to convert themselves into instruments for participatory and transparent resource management. There is also a lack of synergy and complementarity among municipal and departmental roleplayers. This situation presents a serious problem for aid operations.

There is also great frustration with the inoperability of national development and compensation funds. As we have pointed out, the resources from the Productive and Social Investment Fund should be at the disposal of municipal investment projects. However, of more than 3,600 projects presented by municipal governments to this Fund, to date only 12 have reached the tender stage. International cooperation has encouraged the formulation of municipal development plans, which include investment projects presented to the Productive and Social Investment Fund and the Peasant Development Fund, whose procedures are completely bureaucratic.

Another important obstacle, preventing local development programmes from having greater impact, is the lack of clear rural development policies and the limitations that global economic policies impose on marginal areas. International cooperation has been promoting local productive development, without being completely clear under what conditions, and in which sectors, it can be achieved. The evidence shows that under the

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current neoliberal economic system, the Productive Municipalities model does not have the same viability, nor the same methods of operation in different areas. There are various examples of projects implemented in municipalities (such as schools and medical centres) that have subsequently been abandoned, when the population migrates for lack of economic alternatives.

Perspectives on decentralised aid operations

In the light of the above assessment, we present several recommendations regarding the way in which donors could better adapt to local situations in the region to promote socio-economic development, citizenship and democratic institutionality:

- 1 The work of international cooperation should be continued and strengthened at the local level. The assessment reveals the importance that local development strategies have acquired in the democratisation of political life and the economic development of Latin America. New opportunities have been opened up for the exercise of citizenship, especially for vast sectors of the rural population. It has been proven that possibilities for participation and the fiscal review of socio-economic development programmes are greater at the local than the departmental and national level. It would be advisable to give priority in Bolivia to local, rather than departmental aid, and to consider reforming departmental management (with regard to democratisation and transparency) as an urgent matter.
- 2 The case of Bolivia highlights the importance of decentralised aid through private development organisations. At a time when, for example, the European Union is considering reducing funds for this type of work, it is worthwhile underlining its importance. NGOs in the Andean and Latin America regions have been providing valuable examples of building a common approach to local development with municipalities, local public bodies, social organisations and other actors. They have also played a role in monitoring and social oversight of public policies and programmes.
- 3 The participation of civil society in foreign aid programmes should be reinforced. Up to now, the design of country strategies has not involved the participation of national counterparts, or the opinion of civil society. However, this contradicts the pronouncements on 'ownership' by the South in international cooperation. It also contrasts with the progress made by other aid agencies. In the same way, it would be important to reinforce social monitoring of foreign aid programmes by civil society.
- 4 Transparency in the management of international aid should be increased. Information available through the internet is generic and incomplete. It does not allow users to be informed about details, the progress of expenditures, advances in project implementation, or the results of evaluations.
- 5 Greater coherence and complementarity must be sought between aid programmes on decentralisation and local development, and macro programmes and policies.

We have already referred to problems that have been encountered in working to democratise the management of social and investment programmes (which include support from external donors) to make them more transparent and to avoid their use for

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political clientelism. As we have seen, many of the programmes directed by international cooperation, in agreement with national governments, have not been characterised by an efficient and transparent administration of resources. In Bolivia, we need to rethink the functioning of the Social Investment Fund and the operations of departmental prefectures. The democratisation of departmental governments constitutes a central task. This will have an impact at the local level.

We also need to rethink macroeconomic policies and market systems, as they affect the viability of local development, within the context of the national and international

economic scene. Indicators show there is a growing deterioration of living standards in the interior. There are few zones that have the comparative advantages that would allow them to compete successfully in the international market, or even in their own national market.

Decentralisation in Bolivia is of particular interest, not only because of a significant transfer of public resources... and the leading role assigned to the municipalities, but also because of the way in which the population has been integrated into local development planning.

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Notes

- 1 This chapter has been edited by the Reality of Aid Management Committee and has been translated from the original Spanish by Susan Murdock. The edited English version has been reviewed by the author.
- 2 Felipe Caballero is a Bolivian economist and independent consultant. Mariano Valderrama is coordinator of the working group on international cooperation of the Latin American Association of Development Organizations (ALOP) and is a researcher with the 'Citizen Proposal' Group, a Peruvian NGO platform that promotes the decentralisation process.
- 3 Charles Reilly (editor): *New urban policies, NGOs and municipal governments in Latin American democratisation*. Arlington, Virginia (U.S.): Interamerican Foundation, 1994.
- 4 For more on the topic of the NGO/local governments relationship, see the Urban Poverty and Development Magazine, No. 5 (FICONG) on municipal NGOs, their relation to local development programmes. FICONG has also edited a book on the same theme in Ecuador.
- 5 Much of the information on international cooperation projects in Bolivia was provided by the economist Felipe Caballero.
- 6 'Methodological Guide for Further Developing the Municipal Planning Process related to Economic Development' (EDEM). This was incorporated into the 'Guide for the Elaboration and Modification of Municipal Development Plans' (PDM's), by the Ministry of Sustainable Development and Planning (2000).

Empowerment of people in poverty and civil society participation in international cooperation¹

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Recently, the theme of the struggle against poverty and the focus on rights-based development strategies have won a new prominence within the international donor community. The proclamation of the Millennium Development Goals in United Nations forums, agreements reached at Summits and as part of the Monterrey Consensus, and the weight now placed on the struggle against poverty by the international donor community, giving greater voice and leadership to people in poverty, attest to this new outlook.

In this essay, we will try to assess the progress that has been made, paying special attention to multilateral organisations (IDB, World Bank and the European Union) and taking a close look at the area of social programmes and decentralisation that offer special opportunities for development with a rights focus.

We will assess international donor approaches, policies and programmes, with respect to the rights of people in poverty and the participation of the population in aid programmes, including the following aspects:

a) A mapping of the various opportunities

and mechanisms for public participation in the programmes of the multilateral banks in Peru and an analysis of their impact.

- b) A review of concrete policies applied by the World Bank and the IDB in Peru, to analyse the coherence between discourse and practice and to identify critical points for advocacy work. Through a succinct mapping of financial assistance provided by the World Bank and IDB, we will examine two other programmes: the National Compensation and Social Development Fund (FONCODES) and the National Programme for Management of Watershed and Soil Conservation (PRONAMACHCS).
- c) An examination of the new scenario regarding the incorporation of the rights of the poor and their participation in aid programmes. We will focus our attention on processes of decentralisation and of the reorganisation and transference of social programmes to the local governments, examining the role of international donors, and the possibility of advocating greater participation by the poorest sectors of the population in these processes.

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Dialogue between multilateral institutions and civil society on strategies for the struggle against poverty and for empowerment and citizen participation in Peru

World Bank

We will briefly review the various calls made by the World Bank, for the formulation of proposals such as 'Country Strategies' and 'Strategies for the Fight against Poverty', with civil society participation.

In 1993, the World Bank and the executive of the Ministers Council in Peru, convened the first forum on poverty, bringing together public functionaries, donors, NGOs, academics and business representatives. In 1999, a second forum was held, in which five priority areas were identified – nutrition, health, education, water and sanitation. Regional meetings were held in Cusco, Tarapoto and Piura. A diagnostic analysis was carried out and strategies defined for each area. The third forum, developed between 2000 and 2001, focused on the issue of poverty and employment, while the fourth focused on decentralisation.³

The Bank has also worked with the National Social Development Conference (CNADES) and the Roundtable on the Struggle against Poverty, and has held consultations and developed projects, with indigenous populations and groups of Afro-Peruvians.

Among the most interesting World Bank initiatives to promote citizen participation and the rights of people in poverty, are the following:

- At the end of 2001, the World Bank, together with DFID, promoted the study 'The Voices of the Poor in Peru' to analyse the extent of popular participation. Guidelines developed in a 1999 global study were applied to our country.⁴

- Civil society leaders have been consulted on the new World Bank assistance strategy.
- The website 'Window on Civil Society', sponsored by the World Bank, is offered as a space to facilitate citizens exercising their right to monitor the institutions charged with administering the State's resources.
- With the 'Cuanto Institute', Citizen Rating Cards have been developed, enabling people to voice opinions on the quality of social programme services.
- Consultants have been hired to provide independent analyses of the budget.
- Training modules on strategic planning and participatory budgeting have been promoted.
- At Development Fairs, contests have been held to encourage civil society projects.
- One of the interesting experiences in promoting citizen participation was the Social Monitoring System (SIVISO) for the empowerment of the poor. This was led by the Public Defender's Office, with support from the Ministry of Economy and Finance and the Interministerial Committee on Social Affairs, with assistance from the World Bank Technical Assistance department.

The follow-up on the various projects was problematic, owing to the limited human and financial resources available.

Finally, we should draw attention to the emphasis placed by the World Bank on the issues of empowerment, citizen participation and transparency in negotiations of social reform programme loans. Capacity building is to be undertaken in rural communities and local civil society for participatory planning, social monitoring and the transparency of public programmes for poverty reduction. Nevertheless, as we will see, the

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participation of the people in the design, management, and evaluation of the projects is very secondary and limited.

Interamerican Development Bank

Dialogue between the Interamerican Development Bank and civil society in Peru is a recent development. Under the authoritarian government, the IDB representative in Peru shared the *Fujimorisimo* hostile attitude toward civil society organisations. There has been a self-critical evaluation of the process and the IDB has convened civil society representatives to discuss its country strategy for Peru.

The IDB's dialogue with civil society began in 2000, with a series of preliminary meetings to gather opinions and suggestions on the Bank's policies and activities in our country. Following this, various organisations were invited to enter into dialogue with the IDB on a number of substantive issues: the Poverty Reduction Strategy and promotion of equity, modernisation of the state and regional integration. The first participatory discussion on the Country Strategy Document for Peru for the five-year period 2001-2006 was also held. Further, support was given to various activities of the Roundtable on the Fight against Poverty (including participatory budgeting) and the Annual Conference on Social Development (CONADES).

The Civil Society Advisory Council was set up in 2001, formed by some 70 organisations, including: member-based social and labour organisations, human rights organisations, the Roundtable on the Fight against Poverty and NGOs. Participating on behalf of the Peruvian state, were representatives from the Ministry of the Economy and Finance and the Peruvian International Cooperation Agency.

The Advisory Council has reviewed the first annual report on Bank activities and has divided into working groups to monitor 4 programmes being implemented by the Bank:

- Camisea Gas Project
- FONCODES
- Housing project
- Land Titling Project

IDB's representative in Peru, has indicated the Bank's commitment to civil society participation in the discussion phase of new projects and during the implementation, evaluation, and review of programmes. IDB also organised a Regional Conference for Dialogue with Civil Society, in Lima.

Nevertheless, the participation of civil society is concentrated more on expressing points of view on policies than on the management of programmes and projects.

Assessment of empowerment and civil society participation processes

Undermining local ownership, citizen participation, and empowerment in multilateral cooperation are the 'conditionalities' that prescribe neoliberal recipes and constitute a dogma that is not open to debate.

A second element, recognised by the World Bank itself, is the fact that dialogues are not binding on the Bank. Often, meetings with civil society organisations, are seen as exercises used by the Bank to validate its proposals, without making any commitment to incorporate participants' input, and without defining mechanisms for civil society to participate in, and monitor, their implementation.

Civil society participation in the activities of multilateral financial organisations has taken place in two separate spheres. On the one hand, there has been policy dialogue at the highest national and international levels, with the visible presence of civil society. Here there has been over-representation by large metropolitan NGOs. On the other hand, there has been miniscule participation by project beneficiaries.

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Beneficiary participation has been understood as a practical methodology or technique to incorporate the population in programme implementation, to improve management, and to increase the impact. Participation by the population has been centred on small, local infrastructure initiatives, without opportunities being created for the population in a given zone or region, to share its collective vision or evaluation of the programmes.

Evaluation of social programmes supported by international cooperation: progress in the areas of participation and empowerment

In this section, we first evaluate progress and limitations regarding participation and empowerment of the poor in social programmes supported by international donors during the period of *Fujimorista* authoritarianism. We will then examine the new scenario that opens with the process of democratic transition, decentralisation and transference of social programmes to local governments.

In analysing social programmes, we focus on the FONCODES and PRONAMACHCS case studies, because these without a doubt constitute the most important programmes in the fight against poverty. They also receive most resources from international financing bodies.

Currently, the most important financing available to FONCODES is the US\$150 million credit allocated by the IDB. Two other programmes are also underway, supported by the Japan International Cooperation Bank (JBIC) for US\$161.5 million. In the past, FONCODES has also relied on significant support from the World Bank, which has just approved a new programme loan of US\$150 million for the social sector (Programmatic Social Reform III). This programme includes the areas of health, education and

community support. The Bank is also discussing a new loan for decentralised social programmes, to be transferred to regional and municipal governments.

PRONAMACHCS has a US\$51 million credit from the World Bank, for the Relief from Rural Poverty Programme, and three loans from the JBIC for \$149.4 million (for the period 1997 to 2004).

FONCODES is an independent body, established by the central government in 1991 as a temporary agency, directly dependent on the Executive. It was set up as a political instrument to counterbalance the negative effects of structural adjustment programmes on the most vulnerable sectors of the population. It aims to improve living conditions for the poorest, generate employment, respond to basic needs in health, nutrition, sanitation and education and promote the participation of poor people in the administration of their own development.

In these programmes, the participation of the population was to take place through the formation of Main Executing Groups (*Núcleos ejecutores*) to represent the community under FONCODES. Under PRONAMACHCS, planning was to be done through consensus building at the community level. These mechanisms allowed only limited participation by the population and did not prevent the programmes from being used for political ends, specifically, the regime's objective of perpetuating its power and re-electing Fujimori. In this context, it became clear that multilateral institutions, who knew about the situation, did not use the means available to them to correct the situation.

PRONAMACHCS and FONCODES have different mechanisms for participation by the population:

The PRONAMACHCS methodology is based on participatory planning and

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community management, within a rural development strategy based on the sustainable use of natural resources. It endeavours to have the community identify with the project and fulfil the planned agreements. Members of PRONAMACHCS meet with authorities from the peasant organisation to outline the project in general terms (objectives, components and activities) and to bring together all the information relevant to the commitments, the work methodology, and schedule. Once the peasant community has agreed to participate in the project, a work plan is prepared with PRONAMACHCS technicians, as part of the participatory planning process. A participatory diagnostic survey is then carried out, with emphasis on the current state and use of natural resources, using special techniques to help the peasants remember the physical characteristics of the community 20 or 30 years ago and to analyse the significance of recorded changes (such as deforested hillsides and erosion).

Community leaders are encouraged to propose an ideal situation for the community, with regard to natural resources (basically water and soil). The work and activities required to achieve this objective are set out. The community should also establish the order of priority for the work, based on their own needs and the logic dictated by the proposed plan, from which first year activities are derived. PRONAMACHCS technicians give shape to the plan with regard to the activities, timetable and financial requirements. Once they know the work and activities to be carried out, the timetable and costs, the same PRONAMACHCS technicians process the formal approval with the Departmental Office and then deposit the necessary funds in a bank account in the name of the community leader and the PRONAMACHS technician; they are jointly responsible for the project.

The contribution of FONCODES, in the context of the fight against rural poverty and other social funds in Latin America, is the provision of funds to the community, so that the community can take responsibility, through the Main Executing Group, for project implementation. The term Main Executing Group is used for institutions or organisations that receive FONCODES financing for project execution. Organisations have to register with FONCODES to become eligible to present and implement projects, either for their own benefit, or for a social group they have been formed to support.

Main Executing Groups have the advantage of legal status. They are able to sign contracts, intervene in administrative and judicial procedures, and carry out all the functions required to execute funded projects. The Main Executing Groups are responsible for: (i) maintenance of separate and specific accounts for managing programme resources; (ii) maintenance of proper records; (iii) accountability to FONCODES regarding the use of programme resources; and (iv) the preparation and submission of financial information required by FONCODES.

The Main Executing Groups have a functional nature:

- They organise the demands made by the population;
- They allow for private administration of funds without the entangled bureaucratic procedures used for public expenditure. This gives them greater flexibility and makes it possible to lower costs (for example, they pay for shift work without including salary benefits that are standard in public works).

Some additional differences in the operating systems of the two organisations are the following:

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- FONCODES places all the responsibility for project execution on the community, which appoints people to the Main Executing Groups and divides up the supervision. PRONAMACHCS is jointly responsible for execution, which it directly supervises and monitors.
- PRONAMACHCS undertakes a process of participatory planning; FONCODES only requires that the community request the project.
- PRONAMACHCS has multi-year projects and maintains an ongoing presence in the community around a single integral plan; FONCODES manages each sub-project in an isolated manner.
- FONCODES does not include institutional strengthening components for the community organisation, nor a focus on regions or micro-regions that encompass various communities.
- The participation of communities in PRONAMACHCS' programmes, takes place within a range of activities that is more limited than in the case of FONCODES, which also finances social infrastructure, electrification, roads, and productive projects.
- However, the fact that the work of PRONAMACHCS, in contrast to that of FONCODES, is more ongoing and is framed within these plans, and that a larger role is given to the community organisation, means that the effect on the community's institutional capacity is more significant and sustainable.
- Despite the progress it has made, FONCODES has demonstrated great difficulty in introducing new elements into its project cycle such as participatory planning, environmental impact and training and follow-up for project sustainability.

There are weaknesses in both FONCODES and PRONAMACHCS on the strengthening of local governments in poor rural areas.

While FONCODES does delegate project execution to representatives of organised groups of the population, in most cases this is done without making linkages with local governments. Problems in coordination and complementarity thus continue to exist between FONCODES and the municipalities. These are significant, most of all during the phase of conservation and project maintenance, a stage in which FONCODES does not participate directly.

A pilot project, the PREDES project, was developed from 1994 to 1996, with Dutch and German financing. The project created District Development Committees in which municipalities, communities, NGOs and other public institutions participated in the design of a district development plan and the setting of priorities for projects, which were then presented to FONCODES. However, although it was a positive experiment, it was not continued.

The new democratic context and international cooperation, decentralisation and social programme policies

With the return to democracy, there is awareness of the need to reorient the administration of social programmes so as to banish the practice of political clientelism that was rife during *Fujimorismo*. The government of President Valentín Paniagua promoted a more transparent and participatory administration. The Roundtable on the Fight against Poverty was constituted as a coordinating body for the State and civil society. It promotes departmental development plans and participatory budgeting as a means for gathering proposals from the population.

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At the beginning of President Toledo's administration, a broad agreement was proposed, between the Peruvian government and international cooperation bodies, for coordinated action in the fight against poverty and the strengthening of democratic institutionalisation, with strong civil society participation. This consensus was clearly expressed by the Roundtable on Cooperation, held in Madrid in October 2001.

During the Roundtable, the government announced the launch of its emergency programme 'To Work'. This aimed to fight poverty through the immediate creation of jobs. It was also announced that the government would make advances in the rational and institutional administration of social programmes. In order to guarantee efficient and transparent use of resources, it would create a modern Peruvian Agency for International Cooperation. The reform of social programme management was to be complemented by a process of modernisation and decentralisation of the State.

Following the agreements made in Madrid, both the government and international cooperation institutions saw the need to prepare, together with participants from civil society, a Strategy for Fighting Poverty. The aim was to design a policy for integrating and rationalising various existing programmes and establishing a plan of action with results' indicators. The State Policies in the National Agreement on Social Equity and Social Justice, were to be incorporated, as they provided a solid base for social development work in Peru.⁵

The dialogue that took place during the transition government was integrated into Peru's new social policy. This in turn became the basis for the Social Charter, prepared by the Roundtable on the Fight against Poverty. The Charter was submitted for consideration by the new government, which took office in July 2001. The government of President

Alejandro Toledo ratified the principles and commitments of the Social Charter and, in order to formalise them, formulated and published the 'Social Charter Policy'.

The desire to reach consensus with civil society was made evident by the importance that FONCODES – the principal management entity for social programmes – attached to it. There was even a proposal to establish, within FONCODES, a third managerial unit (together with that of social infrastructure and productive development), which would be responsible for the strengthening of local public and private institutional capacity.

FONCODES also suggested that projects be chosen and designed, using the framework of previously agreed-upon development plans and involving the participation of local governments and community representatives. Furthermore, it went so far as to suggest that European Commission and German donors should support projects aimed at strengthening local capacities.

Support was received from DFID in the UK for the promotion of a new social programmes management strategy, to be carried out in conjunction with municipalities and civil society organisations. The programme agreement between FONCODES and DFID proposed to:

- a) Define intervention strategies and apply and validate mechanisms that introduce more participatory, and clearer, State strategies (via FONCODES) for working with civil society in the planning, selection, execution, monitoring and evaluation of development projects.
- b) Contribute to the definition of national policies and standards to enhance links between civil society and the State in the fight against poverty, and to the generation of employment and promotion of economic and social development, contributing to the democratic decentralisation process.

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- c) Stimulate the leadership role of the municipalities and the former Transitory Councils for Regional Administration (CTAR) and their capacity for building consensus with regard to local development planning, with participation by government authorities and civil society.
- d) Mobilise local capacity, so that social actors can efficiently undertake project management in the fight against poverty and create new and better conditions for planning their own local development.

These new directions, however, did not always receive support from aid agencies. The IDB did not consider a new Management for Strengthening Local Institutional necessary; nor did it approve of the active participation of municipalities in FONCODES projects. According to the IDB, there was full participation of the population through the Main Executing Groups, as it organised citizens who form these groups and name their four office bearers – president, secretary, treasurer and financial officer. The president and the treasurer have signing authority on the bank account, which FONCODES opens and supervises. The issue of local government participation in the management of the Fund's social projects did not interest the IDB; it finally agreed with the government, after a long and arduous discussion, that the financial officer of the Main Executing Group would be a representative proposed by the municipal district.

With the departure of former FONCONDES director, Pedro Francke, and his replacement by a leader of the ruling party, much less emphasis was given to the proposal to create a Management for Strengthening Local Institutional and to link projects to agreed-upon development plans and the municipalities.

DFID, which had promoted the new unit for strengthening local institutional, had to negotiate the continuation of its experimental initiatives through a Unit for Consensus, in which it endeavoured to link the work of the Fund to the Roundtables for Consensus or their equivalent, through tools such as integrated plans generated by strategic and participatory planning processes. 'Zone Facilitators' were created in some areas to act as promoters in support of putting the above mentioned focus into practice.

The strength of the dialogue with aid agencies on a strategy to fight poverty was lost when Pedro Francke, who had led the process, left the position of Technical Secretary of the Interministerial Committee on Social Affairs. There was a period of many months during which his replacement was not determined. It was obvious that integration of social programmes was beginning to meet resistance from some influential leaders in Fujimori's ruling party, which managed programmes such as PRONAMACHCS and the Office for Popular Cooperation.

At the beginning of 2003, the Ministers' Council approved the document 'Bases for the Strategy for Overcoming Poverty and Economic Opportunities for the Poor'.⁶ This raised the need to restructure the ministerial organisation and the administration of social investment and to design for this purpose 'institutional and management tools that ensure the completion of government objectives'.

Together with the formation of a new ministry as the governing body for policy on capacity building for poor and marginalised people, and the promotion of social capital – that is, Social Development – it was necessary for the State to have three Funds, which would function as second level institutions in close relation, complementarity, and/or agreement with local and

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regional governments and civil society. These Funds would take on three specific and specialised tasks for overcoming poverty:

- An initial Local Social Development Fund (FONDEL) for investment in social infrastructure, productive projects for income generation and local capacity building for local social development in the districts and among populations with high levels of poverty.
- A second Food Security and Assistance Fund (FONASOL) that would make social investment resources available, for strategies and programmes aimed at both food security in districts with high levels of poverty, and food assistance for children as a first priority, (since children are the future foundation for human resources);
- A third Family Assistance Fund (FONAFAM) which would make social investment resources available to provide support for groups and people at high physical or moral risk, for neglected or marginalised social sectors and for assistance to families and individuals that face catastrophic situations.

In practice, this new strategy has remained at the level of a proposal. There is a problem of superimposition of bodies (PCM, CND, MIMDES) that are involved in the issue of social programme administration, and their transference to local governments. MIMDES has suggested, as an alternative, the creation of a single fund. This idea is supported by the Ministry of Economy and Finance, on the basis of budgetary criteria, as it would mean sharing the administration of various programmes among fewer management bodies.

There is also considerable resistance by various bodies to becoming integrated. PRONAMACHCS was under the autonomous control of the Ministry of Agriculture.

Subsequently, it was decided, by decree DS 036 in 2002, that this organisation should be integrated with FONCODES. In April of 2003, this decision was reiterated but Ivanhoe Vega, the Director of PRONAMACHCS and influential leader of the governing party, opposed it. It would appear that the proposal to integrate of this body has been discarded.

Conclusion

We conclude with a number of general observations.

It would appear that the progress made by multilateral and bilateral external aid institutions and by national governments themselves, in the areas of empowering people in poverty and civil society participation in development programmes, is greater at the conceptual level than in practice.

Mechanisms set up for direct participation by beneficiaries do not allow them real control over programmes, nor do they manage to prevent the practice of clientelism by governments with partisan intentions.

Also, the broad discussion in Latin American regional and national forums is divorced from the isolated, limited and predominantly local way in which participation by beneficiary populations has been carried out. Participation takes place community by community in each project, without opportunities for exchanges between beneficiaries from different regions, not even within the same department, to facilitate the integration of experiences and grassroots points of view into a national perspective.

The current government of President Toledo has not been able to implement its proposal to rationalise the use of social programme resources (funded in part by international aid agencies) and to make their allocation more transparent. Successive changes to the Cabinet and movement back

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and forth on policies, have led to a lack of continuity regarding these proposals. Pressure by party officials to control these programmes has had a negative impact on the realisation of such proposals.

Participation by the population has been centred on small, local infrastructure initiatives, without opportunities being created for the population in a given zone or region, to share its collective vision or evaluation of the programmes.

English definitions of acronyms

CND	National Decentralisation Council
DFID	Department For International Development (of Britain)
FONCODES	National Compensation and Social Development Fund
IDB	Interamerican Development Bank
MIMDES	Ministry of Women and Social Development
PMC	Presidency of Ministers' Council
PREDES	Centre for Disaster Prevention and Research
PRONAMACHCS	National Programme for Management of Watershed and Soil Conservation.

Notes

- ¹ This chapter has been edited by the Reality of Aid Management Committee and translated from the original Spanish by Susan Murdock. The edited English version has been reviewed by the author.
- ² Mariano Valderrama is coordinator of the Working Group on International Cooperation of the Latin American Association of Development Organisations (ALOP) and is researcher from the 'Citizen Proposal' Group (Grupo Propuesta Ciudadana), a Peruvian NGO platform that promotes the decentralisation process. This contribution is a summary of a larger report sponsored by this platform.
- ³ It is necessary to examine the type of institutions convened for these dialogues. We have the impression that civil society participation has referred mainly to what could be called mesocratic sectors, with little representation from popular sector organisations and has referred more to the discussion of policies than to the design and monitoring of specific projects.
- ⁴ For an assessment of World Bank consultation processes with civil society, see the document by D. Hellinger at <http://www.iadb.org>. See also the document by Manuel Chiriboga: 'Las ONG y el Banco Mundial: Lecciones y desafíos'. en. La Realidad de la Ayuda Externa, América Latina al 2000, Lima ALOP.
- ⁵ The policies are: a) Poverty reduction and promotion of equal opportunity; b) Universal access to adequate, free quality public education and promotion of culture and sports; c) Universal access to health services and social security; d) Access to full-time, dignified productive employment; e) Promotion of food security and nutrition; f) Strengthening of the family, protection and promotion of children and youth.
- ⁶ Supreme Decree N° 002-2003-PCM.