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Peru: the kingdom of the NGO?

Donor Harmonisation: Between Effectiveness and Democratisation. Case Study III

Enrique Alasino
February 2008

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## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreword</td>
<td>1</td>
</tr>
<tr>
<td>The harmonisation process in Peru</td>
<td>2</td>
</tr>
<tr>
<td>Introduction</td>
<td>2</td>
</tr>
<tr>
<td>Existing structures: programmes, processes and platforms</td>
<td>4</td>
</tr>
<tr>
<td>Reflections on the Peruvian political system</td>
<td>9</td>
</tr>
<tr>
<td>Current issues on Peru’s democratic agenda</td>
<td>12</td>
</tr>
<tr>
<td>The main challenges for democratisation</td>
<td>13</td>
</tr>
<tr>
<td>The political economy of harmonisation and ownership</td>
<td>14</td>
</tr>
<tr>
<td>Background</td>
<td>14</td>
</tr>
<tr>
<td>Actors and processes</td>
<td>15</td>
</tr>
<tr>
<td>Challenges</td>
<td>23</td>
</tr>
<tr>
<td>Harmonisation in Peru</td>
<td>23</td>
</tr>
<tr>
<td>Ownership</td>
<td>24</td>
</tr>
<tr>
<td>Alignment: the twilight of the NGOs</td>
<td>25</td>
</tr>
<tr>
<td>Lessons learned: options for donors</td>
<td>27</td>
</tr>
<tr>
<td>Contribution to the definition of the Peru harmonisation agenda</td>
<td>27</td>
</tr>
<tr>
<td>Widen participation in development strategies</td>
<td>28</td>
</tr>
<tr>
<td>OP remote improvements in relations between the government, NGOs and international aid</td>
<td>29</td>
</tr>
<tr>
<td>Opportunities for European aid</td>
<td>28</td>
</tr>
<tr>
<td>Bibliography</td>
<td>29</td>
</tr>
</tbody>
</table>
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PNCTI</td>
<td>National Policy for International Technical Cooperation</td>
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<td>APCI</td>
<td>Peruvian Agency for International Technical Cooperation</td>
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<tr>
<td>MEF</td>
<td>Economy and Finance Ministry</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<td>AN</td>
<td>National Accord</td>
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<td>ODA</td>
<td>Official Development Aid</td>
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<td>INEI</td>
<td>National Statistics Institute</td>
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<td>CNR</td>
<td>Non-reimbursable aid</td>
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<td>PIU</td>
<td>Project Implementation Units</td>
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<td>MCLP</td>
<td>Coordination Board for the Fight against Poverty</td>
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<td>AECP</td>
<td>Spanish Agency for International Co-operation</td>
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<tr>
<td>SDC</td>
<td>Swiss Agency for Development and Co-operation</td>
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<td>EU</td>
<td>European Union</td>
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<td>APRA</td>
<td>American Popular Revolutionary Alliance</td>
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Foreword

Stefan Meyer y Nils-Sjard Schulz

Does aid foster freedom? Does democracy help reduce poverty and inequality? Is good governance a necessary condition for aid to be effective? These are some of the pertinent questions that have been in the background of most of the recent debates on what Northern countries should do when working with developing countries. Although it becomes increasingly clear that issues “beyond aid” have more impact on the lives of those living in poverty, high hopes are set on aid and those who are charged with programming it. It is to these people that this study is addressed.

This research project – entitled Donor harmonisation: between effectiveness and democratisation – aims to explore only one dimension of the vast theoretical debate that has grown around the questions above: what is the potential collateral damage that the growing coordination and harmonisation of aid donors could inflict on the social contract in developing countries? And what are the implications for aid agencies, in their practices of political dialogue, their policies, their institutional set-up and their human resources strategy?

Our basic assumption is that a new architecture of aid relations has been constructed over the last decade. The state as developmental actor has been brought back in after a decade of bashing public services under the aegis of the Washington Consensus. Today, a new consensus is being formed. Landmark events have included the Millennium Development Declaration in 2000, which defined global objectives, the Monterrey conference in 2002 that accordingly defined the resources and the mutual obligations between North and South, and lastly the Paris Declaration in 2005, which began to define the modes and institutions for aid delivery. In the meantime, new initiatives are fine-tuning the consensus. Amongst these are the efforts aimed at greater complementarity in the EU code of conduct on division of labour, initiatives to connect regional integration with institution building and development outcomes at the national level, and the continuing debate over new roles for multilateral organisms.

As a result, the relation between recipient countries, recently re-baptised “partner countries”, and donors is changing. Since the 1980s, conditionality has reigned - either in its crude form of economic conditionality for the implementation of free-market principles, or in its second-generation form of demands for political opening and accountability of those in public office. Mutual accountability between donors shall replace this unfruitful relationship, which has not been honoured by anybody. We diagnose a “post-conditionality regime”, which leaves behind confrontational approaches and efforts to bypass state structures, and is heading towards new modes of government-donor cooperation, that are, however, no less intrusive.

In the background of this research lies the assumption that not only state capacities, but also a social contract between citizens and the state forms the basis of successful and equitable development. There is a large range of institutional configurations that can potentially enshrine this contract, and these are legitimate in their very local contexts as historical sediments of social negotiations. For our research on the interface between aid harmonisation and democratisation, we use a political economy approach that explores the opportunities for citizens to become informed, to participate and to hold those in power to account. What we are interested in are the local definitions of these polities in their role as donors. Is there a trend to harmonise their interaction with partner governments, but maybe less so with other relevant local actors, such as parliaments, civil society or public oversight institutions?

This research project hopes to inform donors, taking a participative perspective that incorporates the opinions of a wide range of actors. In particular, this research may be helpful for the future of the Spanish aid
system. It was devised during a previous project, foroaid, which took a snapshot of the rapid reform process in policies and institutions belonging to the Spanish development aid system. It is also meant to facilitate dialogue between European donors on their practices and lessons learnt. We thereby want to work towards a common European development policy.

The project has three phases. In the first phase we present an analytical framework and methodology for the country studies, establishing the basis for the approaches and hypotheses of this research. The case studies are conducted in a second phase. Mostly, they are drafted in partnership with researchers from southern countries. The third phase reaches a conclusion, with the design of an applicable instrument of analysis. The aim is to take the findings into account within the daily practice of aid planners and managers. Alongside the publication of the working papers, we attempt to integrate practitioners, policy makers and academics as much as possible by offering them work-in-progress presentations.

The current document on Peru portrays the situation in a somewhat “atypical” aid-receiving country, since Peru does not form part of the HIPC initiative and therefore lacks a PRSP, receives only minor levels of aid as a share of its budget and is classified as a middle-income country. Most of the aid given to Peru is disbursed by bypassing official structures. Given the high rates of inequality, the volatile political environment and the lack of durable institutions, this paper raises the issue of how government on one side and donors and international NGOs on the other could converge on a development consensus. The author argues that for this to happen, homework has to be done on both sides. From the government side, it appears to vital to engage in the construction of a depoliticised public service and long-term policies, and refrain from using foreign funding for electoral politics. From the donor side, action is needed to avoid the proliferation of development actors that do not feel inclined to respect national processes of planning and prioritisation.
The harmonisation process in Peru

Introduction

Peru, whose per capita income stands at $2,360 (OECD 2005), is formally considered a lower middle-income country. Its economy, which has grown at an average rate of five percent over the last five years (IDB 2007), with inflation at 1.5 percent and a stable currency, is in a period of vigorous expansion. However, this growth is juxtaposed with the continuing existence of large internal inequalities and high levels of exclusion, with 44.5 percent of the population currently living beneath the poverty line (World Bank 2007). As in many Latin American countries, growth has not reached all the population.

According to the Peruvian Agency for International Cooperation (APCI), non-reimbursable aid represented a total of $584.6 million in 2005. This is somewhat less than 0.7 percent of the country’s GDP (OECD), and signifies that Peru is not a foreign aid dependent country. Within Latin America, it stands fifth in the list of priority countries for donors, and on the basis of its poverty rates, it stand tenth in terms of the foreign aid it receives for each poor person (APCI 2007).

As can be seen in the diagram above (APCI 2007), the largest official donor is, by some margin, the United States, which provides 46 percent of official bilateral aid to Peru. European official aid represented in 2005 over 35 percent of the total, of which 90 percent was provided by four donors: the European Commission, Spain, Germany and Italy (APCI 2007). Japan and Canada are the next most important bilateral donors. The sectors which have received the largest share of aid during this period are environment, education and health, the first two under the influence of the United States and the latter with the help of a major contribution from Spain (APCI 2007). Non-reimbursable aid to Peru is characterised by a marked fragmentation of projects, which are highly decentralised, with limited possibilities for state control or coordination. The number of actors involved is high, with 400 sources of aid and over 900 bodies involved in the work, resulting in 2,500 activities, projects and programmes (APCI 2007).

The Peruvian case is a typical example of the difficulties of adapting the Paris process, not only due to its status as a middle-income country, but also because of its sharp internal contrasts. The most emblematic of these include the inequalities that are concealed behind the GDP per capita figures, the complexities of the country’s poverty map, and the contrast between the legal status of the sources of aid and the bodies which put those resources into effect. In the first place, despite being formally considered a lower middle-income country, the figures conceal deep social inequalities. For example, the per capita GDP of Peru is equal to the average of countries in Eastern Europe, but the income received by the poorest part of the population receives less than the average GDP per capita in Sierra Leone. This stems from the fact that the richest 10 percent of the population receives income 50 times higher than that earned by the poorest 10 percent of the population (APCI 2007, 45). Secondly, these differences are derived in large part from the decentralisation of poverty, which is heavily

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1 The author would like to thank Stefan Meyer and Nils-Sjard Schulz for their help in editing this text.

2 We recommend the report on aid to middle-income countries, cited in the bibliography.
concentrated in regions outside the capital. The response of aid donors to this situation has been relatively sluggish according to the relevant statistics. Thirty percent of non-reimbursable aid was channelled to regions in which 37 percent of the country’s destitute live (APCI 2007, 106).

Lastly, the nature of the sources of aid and of the bodies which implement this aid are substantially different: while 86 percent of aid comes from official sources, practically half (49 percent) is implemented by private bodies (APCI 2007). This contrast entails a particular arrangement of participants, processes, implementation mechanisms and supervision, making it difficult to position Peru with regard to the Paris process, which is designed mainly for countries that are aid-dependent, and which is oriented towards official donors.

The Peruvian government formally signed up to the Paris Declaration in July 2006. Signs of greater harmonisation, however, were evident before then, with progress recorded in coordination, policy design and in the handling of information. But it can be stated that the implementation of the Paris agenda began on that date as part and parcel of official government policy and the APCI’s commitments, with the launch of the National Policy on International Technical Cooperation (PNCTI), as well as the coordination work in the Monitoring Poll, which the Development Assistance Committee (DAC) has called for. Wider political dissemination of the Paris Declaration by the government has been carried out in a selective fashion. Emphasis has been placed on the implications of the new agenda for local ownership following strident calls by the government and parliament for stricter control over private bodies. Fewer expressions of principle have been made in relation to the use of national systems and donor harmonisation.

Peru’s public sector financial system is considered moderately strong by the World Bank (DAC 2007), although the aid levels included in the national budget are very low; it is not certain whether this is due to low usage of the systems, or to inadequate handling of information (DAC 2007, 3). Use of budget support systems is particularly rare, especially with regards to European aid. According to the Monitoring Poll, the European Commission, Germany and Belgium are among the European donors that use budget support, whereas Spain and Italy devote none of their aid to such programmes. This in turn is intimately linked to the high use of Project Implementation Units (PIU); of the 55 such units that have been identified, Spain stands out with 29 (DAC 2007).

The donor community has very little interest in immersing itself in the harmonisation process. As a result, officials note a failure to adapt the Paris Declaration to Peru. Initiatives towards harmonisation, in the strict sense, are isolated and diverse. Leadership by the Peruvian government is essential to this process, but the mechanisms that have thus far been produced have not generated results in terms of jointly coordinated initiatives. Results-based management of development aid has further been weakened by the huge geographical and sector-based dispersion of resources, the lack of trustworthy information mechanisms, and the limited monetary value of non-reimbursable aid. The principle of mutual responsibility has yet to gain a foothold, and is imperilled by the sheer number of actors involved.

In these circumstances, application of the Paris Declaration is only just beginning, with certain advances made over the last years, yet with many doubts yet to be dispelled.

**Existing structures: programmes, processes and platforms**

Peru does not have a national development strategy operating according to the criteria of the Paris Declaration and stemming from the Country

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4 Following Renzio (2005, 11), harmonisation in the strict sense covers three concrete issues laid down by the Paris Declaration: joint information handling, joint procedures and joint initiatives.
forces competing in the Forum and in parliament. There is no direct link with the legislative process, nor has the Peruvian government provided budgetary support. What is left are certain characteristics that have together converted the Forum into a mechanism for the presentation of political, administrative and social balance sheets. Seen from the perspective of the Paris Declaration, the Accord embodies a number of features that correspond with the initiatives approved by the World Bank in its Country Development Framework (CDF), including: governmental initiatives; civil society participation; private sector participation; and parliamentary participation. Nevertheless, its inadequacies become apparent in assessment of its operational strength, its limited capacity to formulate strategies and assign responsibility, and above all, its lack of resources.

A further factor that blocks national planning is the operational absence of a Centre of National Strategic Planning, even though this has been established by law. The direct predecessor was the National System of Economic and Social Development Planning, which existed until 1992. Its dissolution through Law 25548 in 1992 also represented the end of the so-called National Planning Institute, whose responsibilities were passed on to the Ministry of Economy and Finance (MEF), with the exception of the activities involving international technical cooperation. Those responsibilities were then shifted to the Ministry of the Presidency, and currently fall under the remit of the Agency for International Cooperation. The same decree created the National Planning Council (CNP), which is still in existence although it is not at present fulfilling its intended role. This restructuring of authority signified the transfer of responsibilities involved in the National Planning Strategy to the MEF, which exercised this power through the Multi-Year Programming Strategy. As a result, the concept of a broad strategic plan was transformed into that of a public sector programme framework. Broad-based planning was thus forsaken in favour of a much more...
fiscal approach, dominated by macro-economic policy and high levels of discretion by the executive towards certain priority areas (Carranza, 2006).

The dynamic of setting priorities, independent of current results, incurs the danger of short-term thinking in public policy, and this in turn undermines the possibility of a process of sustained development as demanded by the harmonisation agenda. These problems in the area of ownership end up diluting strategies that ought to serve as benchmarks for alignment and harmonisation. The end result is, to a certain extent, the creation of a fertile land for those aid agencies that seek to steer away from the principles of harmonisation.

A forum that has attained a certain significance in previous years, and which is now being reactivated, is the Fight against Poverty Coordination Board (MCLCP). Through the convergence of actors from civil society, religious organisations and local authorities, numerous initiatives have been crafted to support participatory development at the regional and local levels. Its main weaknesses are its lack of resources and political support, although its greatest strength is its proximity to regional and local actors (Albareda/Aramburu 2007, 63).

Programmes for non-reimbursable aid: APCI and PNCTI

The role of the Peruvian Agency for International Cooperation (APCI) is that of “conducting, programming, organising and supervising international non-reimbursable aid as part of the National Development Policy, within the framework of the legal directives regulating international technical aid”. (Law nº 27692; Art. 3). Among the main roles it plays are: (a) devising the policy of international technical aid; (b) Drafting and approving the Annual International Cooperation Plan; (c) Designing and maintaining the information systems of international technical aid, among other responsibilities (Law nº 27692; Art. 4).

In accordance with its first responsibility, the APCI drafted the National Policy on International Technical Cooperation, or PNCTI. This was created with the aim of becoming a “guiding document, establishing the strategic framework for international technical cooperation, and an instrument to combat the high levels of fragmentation in non-reimbursable aid” (PNCTI; Para. 12). The policy document is valid for five years, and has recently been approved by a Supreme Executive Decree (DS 044-2007-RE), placing it at the very apex of national legislation.

The PNCTI has emerged from international thinking on harmonisation, and fully conforms to the Paris Agenda, particularly as regards the ownership process. Although it is clear on these issues, as well as on the need for alignment between its strategies, its text does not formally address the demand that resources be channelled through national systems, nor that donors engage in joint programmes. The text indicates that the government has formally adopted the principles of Paris, adding a further seven so as to orientate development aid in Peru (PNCTI Paras. 16 and 17): leadership; complementarity; transparency; sustainability; the search for effective results; efficiency; and targeted aid. To illustrate the contents of this new policy, APCI has produced a strategic development framework based on the interpretation of 69 documents, varying both in their sources and their content (one is international, 10 are national, 23 sector-based, 27 regional, 6 thematic and 1 relating to financial law). Each one of these documents is assumed to be a “politically legitimate and technically valid source for the identification of policy guidelines... Although the policy documents do not normally list an explicit ranking of priorities, they do nevertheless share a common vision with regards to the main forms of intervention on behalf of Peruvian development.” (PNCTI Para. 25). The PNCTI bases its content on the notion of complementarity in development aid, which it explains in the following terms: “aid must be a complement to and not a substitute for national efforts towards development. The significance of this complementarity is to be found in recognition of the different functions of international non-reimbursable aid and the state budget.” (PNCTI Para. 17). In order to define priorities, budget allocations are to be assessed on the basis of the
identified goals, which are defined as areas that must receive development aid due to their insufficient funding levels in the 2005 budget. Lastly, two priority demands are identified and made into objectives, which are then presented to the donor community.

The PNCTI is a strategy aimed specifically at non-reimbursable aid, and represents a landmark in the ownership process, as well as an interesting tool of alignment. Although it has been the target of criticism, the APCI’s initiative has been transformed into the greatest attempt at ownership made by the Peruvian state. Until its approval, there had been no key document to guide aid funding. The panorama was, and still is in many cases, that of scattered negotiating mechanisms, without plans and with projects chosen à la carte.

**Harmonisation structures**

**Global**

The most important effort in support of harmonisation came in 2005, with the creation by the Peruvian government of the Donors Coordination Forum. Created as a “participative space for coordination with donors, concerning both reimbursable and non-reimbursable aid,” it operates under the leadership of the APCI, and was designed with aim of “developing a consensual strategic framework, and coordinating policies and activities” (PNCTI, Para. 44). It first arose in the form of monthly meetings, to which all donors were invited. The operations and participation of these donors has proved highly uneven, with moments of intense participation often followed by periods of total neglect. The change of government, and the new leadership of the APCI that followed, was repeatedly cited in interviews as a factor weakening the forum’s strength, regularity and debates. As we have observed, the forum is regarded by donors as a laudable initiative by the APCI, and gains unanimous approval - at least on the record - as a body that should be consolidated. On the other hand, it has had few concrete results. Its workings have been thinned down to that of an information exchange and networking circle. At the time of writing, in November 2007, the forum had recently met to discuss emergency earthquake aid after a hiatus lasting four months.

**Coordination between donors**

The lack of clear leadership by the national government, the low levels of trust among political actors within the state, and the limited interest of certain donors in coordinating with government has prompted the emergence of coordination processes operating exclusively between donors. This phenomenon is far from new, and has mainly been associated with Sector-Based Coordination Boards. Several of them do not stem from systematic initiatives, nor are they organised under any sort of regulation, but are rather the spontaneous result of development aid workings in a given sector. It could even be argued that they are the most durable parts of the coordination process. There are many different Sector-Based Coordination Boards, each with a different character, range of participants and levels of coordination. At present, the APCI is involved in few of them, while the presence of other Peruvian public institutions is also very limited. The reasons behind this official distance from the boards, expressed in a lack of government participation and leadership, are varied. But the basic causes cited by board members point to the lack of consistent sector-based plans, the rotation of officials, and the simple lack of interest of national bodies. In general, the coordination attained in these boards is used for the implementation of joint information and coordination strategies, while engagement in joint actions and simplification of procedures is much rarer.

There is as yet no “official” census establishing clearly what the boards are, what they do, and who their members are. In this respect, the APCI has recently begun a process aimed at identifying them so as to draw up an inventory. The following programmes and structures are currently working towards harmonisation, each of them with very different results (APCI, 2006): (a) Support to the Ombudsman; (b) Local Management of Basic Quality Education Programmes; (c) Water Group; (d) Governance Group; (e) Green Board; (f) Gender Board; (g) National
Multi-Sectoral Health Coordinator; (h) INTERMESA. Out of these bodies, the Support to the Ombudsman Group (made up of Belgium, SIDA, CIDA, SDC, AECI and USAID) has gone the furthest in terms of joint actions for the leadership of national institutions, achieving a joint intervention with a manual of common procedures and a basket of funds. The other programmes have different characteristics, with variations in their levels of coordination with and leadership by national government.

Lastly, the European Union’s aid has a special status in the harmonisation process. Its efforts at coordination have borne fruit in terms of information sharing through the new European Union Cooperation Matrix (EUCM). This has marked a major step forward in terms of information sharing between European donors, and has been presented to the government and the donor community. Its impact on reaching joint accords and simplifying procedures, however, has not been so outstanding. The reasons for this are diverse, primarily the lack of substantial coordination bodies, weak leadership by the European Commission, and a certain lack of interest from member states. More recently, the momentum of the Intra-European Coordination Process has intensified through directives from Brussels and meetings on the ground, although little concrete progress has as yet been recorded.

Programmes of non-state actors
The performance of non-state actors is particularly relevant when it comes to the use of aid resources. This can clearly be seen in the information distributed by the APCI on the source and use of non-reimbursable aid funds (APCI; 2007):

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<th>Fuentes</th>
<th>Cooperación No Reembolsable</th>
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<tr>
<td>No gubernamentales: 14%</td>
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<tr>
<td>Gubernamentales: 86%</td>
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<td>CNR total (100%)</td>
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<td>No gubernamentales: 49%</td>
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<tr>
<td>No gubernamentales: 51%</td>
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The contrast in percentage terms between the character of the funding sources and that of its users is evident. Over 450 non-state bodies, operating 953 projects, were identified for the year 2005 (APCI 2007). Despite mobilising half of the funds, these actors undertake roughly double the number of projects implemented by official bodies (APCI 2007, graph 25). The result is a significant fragmentation of actors and projects, making the process of harmonisation substantially more difficult, and incurring high transaction costs for the Peruvian state.

It must be understood that the Peruvian law governing international technical cooperation (CTI) defined this as “the means by which Peru receives, transfers or exchanges human resources, goods, services, capital and technology from external aid sources to complement and contribute to national development efforts”. (Decree nº 719; art. 2). This definition “has evolved to include other types of non-reimbursable aid, among them liquidity aid”. (PNCTI, Annex of Definitions). The breadth that has been given to the term contrasts with the internationally accepted meaning (DAC 2000), which only refers to official technical exchange. From a terminological perspective, this implies that the PNCTI regards the term international technical cooperation as equivalent to international non-reimbursable aid. From a legal point of view, the effects go well beyond mere terminology, since it establishes a framework of power over control and monitoring.

The main effect of this is that the APCI has power over every aspect of non-reimbursable aid, independent of its source and the bodies involved in its implementation. Its powers extend to the monitoring of resources from non-official aid sources that are implemented by non-state actors. According to the most recent reform of its remit, the APCI is “responsible for conducting, programming, organising, prioritising and supervising international non-reimbursable aid, which is managed through the state and which derives from foreign public or private sources... “, with the exception of “the bodies that manage international aid without the participation of

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state bodies, unless they make use of some privilege, tax benefit or exemption; use in one way or another state resources; or the aid source is a bilateral or multilateral organisation of which the state forms part.” (Law 28925; art. 3). In conclusion, the APCI is charged with supervising all the funds of non-reimbursable aid that are implemented by state bodies or by private organisations that wish to make use of tax reductions. In order to do this, the APCI prepares a register of these institutions, which are classified into three categories: non-governmental development organisations (ONGD in their Spanish initials), international technical cooperation foreign bodies and institutions based abroad (ENIEX), and private non-profit institutions receiving welfare or educational donations (IPREDA).

There are currently no platforms for coordination between government and NGOs, and the relationship between the two can at best be described as distant. While there are coordination bodies between private organisations, principally those from the same country (Spanish or Italian NGOs, for instance), these have no direct relationship with the Peruvian government, and there is no institutionalised mechanism to secure such a relationship.

**Intra-donor harmonisation**

The need for greater coordination extends further, to include organisations from within the same donor state. The most relevant such case is that of Spanish aid, which combines official bilateral aid, decentralised government aid and a large number of development NGOs. The role played by development NGOs within the Spanish aid system is of some significance, given that they implemented 75 percent of the resources allocated between 2002 and 2005. This phenomenon has multiplied not only the number of actors involved, but also caused a proliferation of coordination bodies, which have risen to over 30 (APCI workshop, 2006). This has in turn prompted the need for greater internal coordination, which has given rise to the recently established Council for the Coordination of Spanish Aid in Peru. The Council has been designed as a “space for meeting, dialogue and agreement between the representatives of Spanish aid in Peru, with the aim of improving the quality of Spanish aid policy through coordination and the construction of agreements on the ground.” (AECI, 2007)

### Reflections on the Peruvian political system

**Background**

The 1990s was an era of progress and setbacks in the Peruvian political system. Two key features characterised politics in this period: (a) the collapse of the party system; (b) “neo-populism” (Cortázar Velarde 2002).

As regards the first, Cortázar Velarde (2002, 36) quotes Tanaka (2004), who asserts that political parties vanished from the electoral stage, leaving behind the one force that best adapted to these media-dominated conditions: Fujimorismo. Under President Alberto Fujimori, this political force ran the government yet found it extremely hard to seal political alliances, causing it to appeal to the ideal of efficient public policy and use its media profile to label other parties as vehicles of corporate interests and as obstacles to rational government action (Tanaka, 2004). Under this hegemonic system, which drew on public support for the successes recorded in controlling political violence, attaining macro-economic stability and starting to dismantle the interventionist state, Fujimorismo completely dominated the political stage in the 1990s. The logic of “authoritarian democracy” was thus consolidated. The second key feature is “neo-populism”, understood as a public discourse that is characterised by a systematic attack on political elites and the institutions they control, seeking to weaken institutional counterweights and secure the executive branch’s absolute control over the system (Cortázar Velarde 2002).

On this basis, and using political patronage, the government managed to secure enough power to...
implement, without opposition, controversial structural economic reforms, which incurred enormous social costs. By the end of the 1990s, the public opinion that had once sustained him began to forget the economic improvements, and shift towards criticism of the regime, above all for the controversial methods used to secure a second re-election. Fujimorismo ended in a host of corruption scandals and the flight from Peru of the president himself. While important achievements were made in the control of political violence and economic stability, the effects of this period on the political system served to undermine the workings of democracy. Among them, the most important effects were the dismantling of institutions; the disappearance of the party system; the destruction of mechanisms of public control; and the almost total corrosion of the state apparatus.

After Fujimori’s flight from Peru and the transitional government, President Alejandro Toledo ruled from 2001 to 2006. His presidency marked a period of extreme dichotomies. On one side, it was a time of stability and sustained economic growth, accompanied by political stability. On the other, weak leadership by Toledo, the dominance of technocracy and the lack of strong decision making on social policy led public opinion to turn against the national government, which bottomed out at a 0.6 percent positive rating in 2004 (University of Lima, 2004). Analysts regard this period as one of institutional stability and unprecedented political participation, albeit without an efficient performance by the democratic system in its entirety. There is general agreement that this was not a government crisis, but a crisis of legitimacy in Peruvian institutions marked by a widespread lack of trust and by the weaknesses of the political system. This absence of policies, however, intensified participation by intermediate actors. Proof of this can be found not only in the National Accord and the work done by the Truth and Reconciliation Commission. The overall assessment of this period of government has become clearer with the passage of time. But interpretations of the government’s economic achievements and political stability continue to differ sharply, with a large number of observers accusing Toledo’s government of political paralysis and immobility, causing it to waste a historic opportunity to push through fundamental reforms.

In this context of general stability, which nevertheless featured a number of latent conflicts and expectations of deeper reform, Alan García narrowly won the 2006 elections. Amid stark regional differences and a certain public wariness, García eventually profited from the electorate’s rejection of the populist alternative, in the shape of Ollanta Humala, rather than support for his personality and political record. His new government got underway in mid-2006, with the support of what has become in real terms the sole national party, the American Revolutionary People’s Alliance (APRA). Regional elections at the end of 2006 confirmed the nation’s political divisions, the lack of a clear majority option, and the weaknesses of the party system, which has become highly fragmented. In this respect, it is worth quoting García, who declared that “it is everybody’s duty to reconstruct the political system, which has withered completely after being eroded by despair, disbelief and social resistance” (CADE conference, Lima; 2006). The government’s second year has thus far been marked by continuing economic growth, political stability, major reforms to public sector budgeting, and limited progress towards decentralisation. Serious problems remain as regards structural reform, particularly in relation to institutional operations, income distribution, judicial administration and decentralisation.

In the context of democratisation studies (Gaventa, 2006), it can be argued that Peru is currently moving towards a civil society democracy, as shown by the rise of active and autonomous civil society organisations, exerting increasing control over government.

The party system, the electoral system and parliament

According to a study carried out by the United Nations Development Programme (UNDP 2005, 70), Peru stands out within Latin America as the country that suffers the greatest electoral volatility, and is among those countries with the lowest stability in their party systems (after Guatemala), as well as the lowest sense
Judicial reforms have been on the agenda, and have led to a number of diagnoses and plans, but nothing has of yet been implemented (UNDP, 2006). Meanwhile, access to justice is very limited, and reflects in large part the levels of exclusion on the basis of wealth, ethnicity, culture and social status that are prevalent in Peru. 

Organised civil society

Progress towards the organisation of civil society began with some force - as it did in most Latin American countries - in the 1970s. This process was driven in part by left-wing groups, in a context marked by low levels of participation in intermediate institutions. The political aims of this movement have been varied: the fight against poverty, political militancy and popular education, among others. Due to its objectives and its left-wing ideologies, NGO activities have often proved a bone of contention with the government - and particularly so under the Fujimori government. During this period, which witnessed the takeover of public authority, patronage-based politics and a state apparatus that bent to the will of the ruling powers, NGOs emerged as the focal points of protest. Human rights NGOs and organisations defending democratic rights ended up suffering serious government persecution.

Under President Toledo’s government, a number of democratic channels opened, leading to a quantitative and qualitative boom in the sector. NGOs multiplied, and the most consolidated among them underwent a process of professionalisation with the help of foreign funding. This led to the creation of a large number of national NGOs operating on the political scene and in development issues. But the actions of a number of these organisations have been criticised, particularly when these NGOs are perceived to have acted as mere vehicles for political activity, or have used their status for economic and social gain, thus distorting their institutions and betraying their supposed efforts on behalf of Peru’s poorest people. The latter tendency has given rise to the label “the caviar left”.

Regulatory tools for the NGO sector are minimal. A
series of polls testing the opinions of 80 government and NGO officials on the issue of follow-up, supervision and control of NGO resources (Hernández Celis, 2006) found that only 33 percent believed that the executive and legislative branches of government, as well as organised civil society, were in a position to carry out the tasks in question. Meanwhile, 70 percent replied that there was no information on how these resources were used, and 80 percent agreed that there was a lack of control over programming and management activities. The main results of the research point to a degree of inefficiency in the implementation, follow-up, supervision and control of projects; a lack of coordination between public bodies, and between public and private bodies, as regards follow-up, supervision and control; the electoral and political use of resources; and a lack of information for Peruvian bodies engaged in supervision.

It is against this background that the Law to Reform the Powers of the APCI - also known by certain groups as the anti-NGO law - was devised. Backed by an alliance between APRA and Fujimorismo, it has been branded a weapon of political “revenge” and an attempt to secure political control over the operations of NGOs (Tanaka 2006; Adrianzen 2006; Ballón 2006; among others).

**Current issues on Peru’s democratic agenda**

**State reform** has been addressed from a variety of perspectives in Peru. At present, it is apparent that both efforts to dismantle the legacy of the Fujimori era as well as the bid to create an interventionist state have both been abandoned. For over five years, the dominant diagnosis of the Peruvian state has focused on its inefficiency, corruption and disarray. Modernisation processes have begun, as have procedural reforms and moves towards decentralisation, but there is still much work left to do.

**Decentralisation** is without doubt the most important political process now underway. It began formally in 2002 at the behest of President Toledo’s government, although concrete progress on the ground was lacking. In a context of huge political, institutional, economic and cultural differences, and within a system that has traditionally been marked by overwhelming political centralism, decentralisation is essential to the country’s domestic harmony. Yet there are many unresolved issues: transfer of powers, political divisions, tax mechanisms, budget management, coordination with national government, capacity building, and citizen monitoring, among others. Alan Garcia’s government has given its backing to the process, and even placed the issue at the heart of political debate, but there are still major operational problems when it comes to implementation. The lack of local capacity, the inexperience of local administrations and opposition from certain central government bodies to any handover of powers are among the main problems besetting decentralisation (Aramburu, 2007, 59).

Corruption is another key issue in Peru. The end of Fujimori’s government was sealed by several extraordinary corruption cases, which outraged all of Peruvian society. The “buying” of parliamentary deputies, fraudulent state purchases and the absolute lack of control mechanisms eventually led to the regime’s downfall, and undermined social trust in the workings of the state and the political class. Although corruption scandals were fewer and less notable in the Toledo era, there was no lack of controversial cases. These included allegations involving government sleaze, and criticism of failures to control the conduct of public officials. Alan Garcia has not managed to evade such charges either, and although his government has reacted to them, deep-seated reforms are still lacking.

High levels of poverty and rates of inequality, generated by economic and social inequities, are one of the main characteristics of Peru’s socio-economic landscape, as they are in many other Latin American countries. This inequality is not merely economic, but
is the tip of an iceberg which encompasses unequal access to education, health, the judicial system, income and work, among others (APCI 2007, 42). The depth of inequality is revealed not just in poverty figures, but also in the seven-year period of sustained economic growth which has as yet failed to make a significant impact on poverty. This failure of growth distribution is clearly shown in the fact that GDP per capita in Lima is five times that of the regions (INEI, 2005). Rural and indigenous people have thus been largely excluded from the benefits of economic growth.

Exclusion is the other face of Peru’s socio-economic afflictions. The history of Peru is one of fragmentation and many varieties of internal division, which in turn have given rise to an enormous range of exclusion, from ethnic to cultural, social, political and economic, that has developed against a social backdrop of great ethnic and cultural diversity. These differences, enhanced yet further by geographical divisions between the coast, highlands and rainforest, have caused a number of domestic conflicts which have remained in existence to this day, shaping the behaviour of political and social actors and blocking progress towards the formation of a national identity.

The main challenges for democratisation

The participation of regional governments and civil society in the design and crafting of national development policies is one of the great problems in terms of democratisation. The combination of a presidential system, administrative and financial centralisation, and fragmentation of the party system means that participation by decentralised institutions and intermediary players is low.

Private mechanisms of control, represented primarily by civil society organizations, are experiencing a boom. A major deficit has been the lack of information pertaining to the management of public funds. This has begun to improve dramatically in central government, but information systems at the regional level remain practically non-existent. According to a number of interviewees, it is almost impossible to find out details of regional spending or obtain audit reports (Aramburu, 2007). The makes planning, and control, much more difficult. Secondly, the lack of institutionalised spaces for dialogue, and the fragmentation of supervisory bodies, reduces the effectiveness of management controls. Consultation with civil society have begun to develop, although - with a few exceptions - they have not succeeded in establishing any space for substantial dialogue with the government.

Following a long period of political violence, which was followed in turn by a decade of authoritarian democracy, the ruling elites have acknowledged the need to open up spaces for participation by the regions and more equitable development. The current government has indicated that it embraces these causes, although the basic operational problems are numerous. In the first place, NGOs and the media - which is largely based in Lima - call for greater dialogue, transparency and efficiency, none of which is making the government feel particularly comfortable. As for development in Peru’s poorest areas, decentralisation has certainly become a political priority, and the government is seeking with some difficulty to achieve this in an orderly fashion. The next problem will likely be a certain mistrust by decentralised governments and civil society of national initiatives introduced by central government.

Peru’s political system has started to initiate reforms that reveal some understanding of the country’s key problems, even if they have yet to produce the desired effects. The main challenges for democratisation, not in order of importance, are as follows:

(a) the search for a consensual national vision between political authorities, regions and key players, including indigenous communities.
(b) reform of the party system and the electoral law.
(c) reform of the judicial system, the legislative system and access to justice.
administration have caused development aid to target most of its efforts outside state institutions, focusing instead on direct interventions that bypass the public sector. In many cases, aid began to work as a “parallel state with its own plan”. Its negotiations took place in low-level and/or decentralised institutions, and emphasis was placed on dialogue with the private sector, in a search for partners that were not part of the Fujimori hegemony, or were even opposed to it. According to Valeria (2002), it was a decade of “fragmented and scattered (management of) aid, causing a range of public bodies to compete among themselves”. The political situation and the lack of a national agenda left the door open for other donors to impose their own priorities. These donors were satisfied with the situation, since it freed them of excessive paperwork and bureaucracy, and enabled them to fulfil their objectives, get into the field without too many problems and work with a wide variety of local partners. Given the alarming poverty rates, the government had little choice but to accept the conditions on which aid was given. This is the context in which the Peruvian Agency for International Cooperation was created in 2002 as the means to manage international aid. The APCI replaced the previous Executive Secretariat for International Technical Cooperation (SECTI), which was a “sort of board of those bodies involved in project approval, in which aid was handled without transparency, and subordinated to political, electoral and patronage-based criteria” (Valderrama 2002, 5).8

By 2004, the opening of new channels for participation, and the resurgence of organised civil society, marked a new opportunity for intensified aid. The period between 2000 and 2004 saw the renewal of development aid, an increase in the number of non-state actors, and the fragmentation of projects. In 2004, non-reimbursable aid represented 2.1 percent of the state budget, and 16.6 percent of all public investment; its total was more than double that of

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8 The cited text details a number of corruption cases from the period.
The harmonisation process requires an operational national development strategy. Peru does not have just one, but many sector-specific and regional strategies. As a result, the government announced that “in the absence of a national development strategy (...) the priorities for the international non-reimbursable aid received by this country will be derived from the national development policy decided by the government” (PNCTI; para. 12). The APCI therefore undertook the task of interpretation, so as to decide on a framework of strategic development objectives covering all areas of development and identify a series of priorities for aid funding.

The role of the APCI must thus be assessed from the perspective of the democratisation process.

a. Drafting mechanisms

The PNCTI, as mentioned in section I, has been drafted by the government without the involvement of civil society organisations or donors. Its contents are justified as the result of a close analysis of various international and national documents, each of which is assumed to be a “politically legitimate and technically valid” source. Given that the final product is supposed to be a development strategy, it is important to consider whether the agency has arrogated rather too much power for itself. While this might be regarded as an extraordinary technical endeavour, questions can be raised over APCI’s legitimacy, competence and institutional capacity to engage in the mapping of national development strategies.

b. Approval mechanisms

The PNCTI was designed on the basis of established legal norms, and was recently approved by a governmental decree (Decree 044-2007-RE). This would imply that it now has prime legislative importance, and is thus binding on international aid - although the exclusion of parliament from the approval process merits closer scrutiny.

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9 The figures distributed by APCI in 2006 and 2007 are markedly different. We prefer to use those from 2007 given that the information in the latest report is considerably more trustworthy.
process is notable given the national significance of such a programme. This might have something to with the evident similarity of the legislation to current government programmes, and the government’s lack of a majority in Congress.

c. Mechanisms and criteria to establish priorities in resource allocation

The PNCTI has identified 4 strategic axes and 12 strategic development objectives (PNCTI 2006):

1. The Human Security axis: (a) Achieve universal access to drinking water, health, and basic services and infrastructure; (b) Develop a social protection network that safeguards human capital at risk; (c) Eliminate all forms of exclusion and discrimination.
2. The Democratic State axis: (a) Build a democratic, transparent and efficient state; (b) Guarantee universal access to justice and ensure peace; (c) Support the decentralisation process;
3. The Human Development axis: (a) Ensure universal access to quality education; (b) Improve people’s health and nutrition so as to guarantee an active and healthy life; (c) Promote national competitiveness and ensure employment opportunities for everyone;
4. The Sustainable Competitiveness axis: (a) Guarantee the sustainable use of natural resources and protect the environment; (b) Develop the country’s science and technology; (c) Strengthen the integration of Peru into the world market.

These in turn are sub-divided into 86 specific objectives (PNCTI).

In establishing these priorities, the PNCTI calls for 50 percent of the total volume of non-reimbursable aid to be focused on these objectives. It states that “the greatest share of non-reimbursable aid in Peru must be directed towards complementing and improving state capacities to: (1) Guarantee the Nation’s Human Security, and (2) Strengthen Sustainable Competitiveness.” As part of these axes, it indicates that two sorts of actions must be considered priorities (PNCTI; para. 35):

i. Human security: “Prioritise ensuring access to drinking water, with an emphasis on the supervision and control of the quality of water for human consumption, particularly in areas marked by the worst poverty and incidence of illnesses caused by lack of access and low quality water.”

ii. National competitiveness: “Strengthening national competitiveness and the creation of sustainable employment opportunities in a decentralised context oriented towards providing the conditions needed to facilitate business performance and the creation of jobs, with an emphasis on the areas that have the worst extreme poverty rates, and looking for ways to connect these interventions with integration into international markets.”

The methodology used to assign these priorities is dubious. In technical terms, their mode of presentation does not fit in any clear fashion the structure of objectives and goals established beforehand. However, when it comes to setting down the government’s demands, this previous logic disappears, and these practical priorities are prepared on the basis of criteria and terminology that are quite distinct to the framework of strategic development objectives. This not only makes it difficult to understand, but also jeopardises the possibility of monitoring progress, while also raising suspicions that the government has manipulated the text in order to target resources at its political heartland. This suspicion is only intensified by the link between the policy and the electoral promises made by the new government, which pledged to tackle the problems of water access, health, employment and productivity in the Peruvian highlands. It is perhaps indicative that on the day the PNCTI was unveiled, presentations were made by various new officials in charge of ministerial programmes based on the government’s election manifesto. As part of the day’s efforts to “discuss and agree priority tasks for international aid”, a questionnaire was handed out to participants asking, among other questions, “What activities can you prioritise in the short term to
support the two programmes of the elected government, Water for Everyone and Export Highland?” (PNCTI workshop, Lima 2006). Given that these election promises were made by the APRA with a vow to meet them within six months of taking power, it is apparent that the government is calling on aid to help fulfil its political goals.

Technical incongruence and the suspicion that the policy has been politically massaged are two key factors raising doubts about the way aid priorities have been decided. Drafted by the government, without consulting civil society or parliament, the policy must come in for serious questioning from the perspective of democratisation.

Economy and Finance Ministry

As described above, the Economy and Finance Ministry is one of the lead actors in deciding national priorities through its Multi-Year Plan. Examined from the perspective of democratisation, and in the absence of national strategic planning, this plan has become the overriding influence on development priorities. Its link with aid is shaped through its power to manage aid loans, control information about development aid resources, and through its use of an instrument that is of great importance in Peru: debt forgiveness funds.

In terms of information, the DAC maintained in the conclusion of its Monitoring Survey that Peru’s patchy records of non-reimbursable aid prevented any conclusion on donor performance from being made (DAC, 2007). The same report points to the need to improve budgetary record-keeping involving development aid. Furthermore, the ministry’s role as the lead negotiator for aid credit has been widely defended. But given its disconnection from the APCI, an almost total divergence between the objectives and management of aid resources is the result. Lastly, its role as intermediary in the management of debt forgiveness funds has led to a certain overlapping of powers and dispersion of effort. An example of this is the debt swap agreement between Italy and Peru, which should nominally have been coordinated with the National Policy on International Technical Cooperation, but which in fact fails to mention the policy in its text or objectives.10

The Economy and Finance Ministry has stood one step removed from the harmonisation process. It is clear that it has other priorities, ignoring those of the non-reimbursable aid system, which the ministry expects to conform to its own reforms without showing any desire for dialogue on the issue. The main results are a lack of connection between the various parts of the aid system, and a certain weakening of national leadership. In terms of democratisation, this indifference entails a lack of access to reliable information on the use of foreign aid funds.

Regional governments

The regional governments, which number 25 in all, and provincial administrations have both assumed greater importance in the field of development aid. Within a system marked by central political and financial control, and a social panorama of regionally concentrated poverty, decentralised governments have found foreign aid to be an important alternative source of resources. Despite their limited capacity, they seek to attract foreign support, and steer clear of national public sector mechanisms in order to secure a greater margin for manoeuvre in negotiation and management. Based on the geographical distribution of poverty and the temptation to avoid central government, development aid has shifted in recent years towards regional governments. Efforts to decentralise government have now touched on budget management by the Ministry of Economy and Finance, and have influenced the APCI itself. Yet the outlook is unclear, and institutionalisation of the flow of resources to the regions remains a major challenge. The latest ownership initiatives have all been linked to central government policy, and the APCI has not yet managed to convey the demands of regional actors.

NGOs

Non-governmental organisations have mushroomed in Peru in the last few years. The results of their activities

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10 See: www.fondoitaloperuano.org
are many and varied, although they have been positively received for their work in development, especially of rural areas. Some sectors, however, have been heavily criticised for not fulfilling their goals, and distorting the objectives of democratic institutions.

NGOs carry out an essential task in development aid as bodies that receive and implement almost 50 percent of non-reimbursable resources. However, the importance that foreign aid sources gives them stands in stark contrast to their low levels of participation in decisions over national priorities for development. Although there was widespread involvement in the process leading to the National Accord, in which representatives of religious, secular and private sector organisations took part, it has become clear that the agreement is of limited importance. As regards drafting public policy, the NGOs lack institutionalised dialogue mechanisms with the government, and thus barely get involved. Their supervisory role has been partially consolidated - above all at the central government level - and their criticism of government actions or of public sector wrongdoing is increasing. At the decentralised government level, particularly in rural areas, the situation is more complex, with local governments often closer to the people. Meanwhile, relationships between local governments and NGOs have generated interesting participatory development strategies at the regional and community level.

Their part in the preparation of the National Policy on International Technical Cooperation has come under the media spotlight, but has in general had little impact. Though NGOs did take part in the preparation of documents used by the APCI, the agency has not made use of its privileged position as the NGO-government interlocutor. Isolated consultations have not made up for the absence of any institutional mechanisms to ensure the effective participation of civil society organisations. As a result, the involvement of civil society in the drafting of development strategies has had very little significance.

The chill between NGOs and the government has driven the former to seek to preserve its privileged relationship with development aid. Meanwhile, although national and international NGOs are both connected to foreign aid in their search for resources, there are major differences between the roles they play. In general terms, national organisations, due the context in which they were born and their own history, operate largely as bodies that aim to monitor the state and its workings. International development NGOs, on the other hand, tend to provide services to poor people or under-developed sectors. Their activities in the public arena, and the way in which they impact on the harmonisation and democratisation agenda, are hence quite different.

National NGOs try to preserve their direct relationship with donors on the basis of their need for resources, which enables them to be autonomous and active. A number of critical voices have argued that these conditions cause certain NGOs to become more powerful through foreign aid, at the risk of distorting Peru’s internal public dynamics. Two highly relevant examples are those of the NGOs which protest against the mining companies in the Peruvian highlands, and those which oppose the Free Trade Treaty with the United States. Debate on these issues has contrasted attacks on foreign influence with the importance of aid in supporting democratic processes “from below”. One extreme example was the stance adopted in La República newspaper (9 February 2006) by the APRA parliamentary deputy Mauricio Mulder, who maintains that “I see danger in sectors of the caviar left with large amounts of extra-party power (…) they have a left-wing language, but they represent imperialism because the State Department finances them. Imperial interests like to generate ungovernable conditions in our countries, and the NGOs are the frontline fifth column of imperialism”.

The condition of foreign NGOs is somewhat different. Their dominant role in service provision has generated debate over the legitimacy of their activities, and the need to align their work with national development strategies. But the debate is distinct. The actions of foreign bodies with no obligation to file their accounts with government has been questioned. However, the
The new rule has given rise to an enormous amount of speculation. The fundamental principle is that “public order” is a legal term full of holes, whose meaning alters according to time and place. Fears have been generated by the putative link between certain political elements in government and this concept of order, and the possible damage this might do to democratic principles. The hypothetical cases mentioned by opponents of the law include that of an NGO which supports causes contrary to government policy, resulting in a punishment that paralyses the organisation’s work. These arguments have sparked criticism of the legislation, pointing to the leeway it gives to discretionary political decisions.

(c) The power of the APCI to monitor resource management in aid agreements between private donors and contractors.

This has been attacked on the basis that it violates freedom of contract between private bodies, and will be further discussed below.

These three modifications have caused a national and international political headache. The main cause of the controversy is the new rules, which may be summarised as follows: NGOs which break the rules can be excluded from the APCI register, and thus forbidden from requesting tax exemptions, receiving foreign funds, or even operating within the law. Numerous national and international organizations have voiced their opposition to these rules. Their case was clearly expressed by the Coordinator of Spanish Development NGOs (CONGE), who states that it is “very worrying that this law could leave in the hands of the Peruvian government the power to control civil society organisations” (Madrid 2006). The same argument has been made by many other institutions, including national NGOs, the Inter-American Commission on Human Rights, Human Rights Watch, the Europe-Peru Platform, and many others.11

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11 For a useful list of the objections see: http://www.cnr.org.pe/caso_apci.php
In fact, three different impulses are combined in the proposal:

(a) The need to control NGO resource management.
   This has some legitimacy, since the funds secured through international technical cooperation are public, meaning that handling of these funds depends on a complex set of relations and the willingness of organisations to make their accounts public.

(b) The executive branch’s aim of controlling aid funds.
   Under the pretext of initiating a process of greater ownership in line with the Paris Declaration (see Haya de la Torre, 2006), the government has sought to harden its grip on the aid funding.

(c) A related factor (and one which many believe to have been decisive) is the historical struggle between NGOs and some parties with a major presence in parliament.

The reactions of society and the donor community were quick to appear, and have included attacks against the bill arguing that it represented a bid for “state control that is reminiscent of a totalitarian regime” (Human Rights Watch, 2006), and fears that the law will “derail the goals of collaboration, transparency and efficiency that lay behind its (the APCI’s) creation, turning it into an organ of state control” (Swiss NGO Coordinator, 2006). One analysis of the debate (Ballón, 2006) has argued that “the country clearly needs better handling of international aid, and this is both indispensable and possible. But this cannot be achieved through censorship and control, but only through joint work to make proper use of these resources.” In the same article, the author cites what can be regarded as the most important and widespread view of the law, describing it as “transparency as a smokescreen”.

In response, a legal action was filed arguing that the law is unconstitutional. Based on a large number of constitutional rights, including those of freedom of association and the right to take part in the country’s political, economic, social and cultural life, the case was considered by the court on the basis of the APCI register’s role as a source of useful information, the demand that qualitatively different bodies be treated differently, and the preference for self-regulation mechanisms over state control. Among the most important parts of the court’s verdict are the following (TC ruling, 0009/(10)-2007-P1/TC):

- The weakening of the freedom of contract, in the shape of the APCI’s power to determine aspects of private contracts between project handlers and aid sources;
- Violation of the freedom of association and the right to take part in the political, economic, social and cultural life of the nation through requirements that make it harder for the goals of international aid organisations to be realised.
- The lack of precision in definition of the sort of activity that could be considered an infraction of the law, giving excessive discretionary power to public officials.

On the basis of its ruling, part of the case has been approved, and the following have been declared unconstitutional:

- The obligation to declare how money has been spent when it involves private aid sources (Law 27962; art. 3 para 3.1):
- The punishment of organisations that fail to sign on to the APCI’s register and the right to ban members (Law 27962; art. 22).

The general impression is that the NGOs won a court victory. In the first place, the verdict was seen as upholding the freedom to make aid agreements and the right to privacy in the use of funds moving between an aid source and a project handler. Secondly, the possibility of cancelling an NGO’s membership of the register has been scrapped. While there are still other more minor fines and sanctions, the right to remain on the register - with all the benefits of official sanction,
support, and permission to receive aid funds - has been preserved. This ruling thus deprives government of one coercive tool, and has allayed fears of state intervention in civil society.

**Public opinion**

Public opinion is divided in its views on the way development aid has behaved. Actions in areas where the state has barely any presence, or in areas of great poverty, are widely appreciated. But a current of opinion has recently adopted a very critical stance, accusing aid officials of assuming privileges and being motivated by vested interests. The activities of private bodies funded by foreign aid has also been attacked, with allegations that these organisations lack internal control and are overly involved in political affairs. Public opinion is divided, and the divisions are also geographical. In Lima, the heart of Peru’s political life and a place where NGOs engage in political battle with central government, the media and other critics deride the “caviar left”. In the regions and rural areas, the NGOs - most of them foreign - are seen as major contributors to the resources and capacities of local development.

**Academics and research centres**

Following a period of democratic opening in recent years, the work of academics and research centres has grown in significance in Peru. Each university, be it public or private, has research centres that participate actively in public life. This is the case, for example, of Lima University, and its constant monitoring of public opinion. Consultancies, which are also blooming, are providing services to political actors and/or publishing impartial reports. A number of these centres for research and the dissemination of ideas have also been accused by the government over the last year of “destabilisation”. Even so, academic activity and research is experiencing a veritable boom. As regards the new development aid agenda, few institutions have researched the issues or drawn their own conclusions; one notable exception is the Consortium of Economic and Social Research, which has supported critical thinking on the Paris agenda and its implications for Peru.

**Donor performance in the harmonisation agenda**

The first commitment of donors in the Paris agenda with regard to the ownership process is respect for the partner’s leadership role. Over the last decade, the leadership offered by the Peruvian state has oscillated between extreme politicisation under Fujimori, almost complete absence under Toledo, and renewed effort in the past two years. The APCI has for a number of years been trying to position itself as the official intermediary between the government and donors, although its lack of political support and various doubts over its institutional status - including rumours of its closure - have weakened its standing in the eyes of the donor community, which tend to regard the agency’s leadership as “tepid”. Faced with its political weakness, the APCI has sought to build its leadership through technical advances, proactive management, and backing for the National Policy on International Technical Cooperation. Its proposals have been moderately successful, although donors remain suspicious of the process and the proposals made. The gap between the donors’ avowed expectations of what the APCI’s role should be and the self-perception of the agency as regards its coordinating role is also notable. A number of donors have even used this uncertainty to downplay the leadership role that the APCI has tried to fulfil. This situation has enabled these organisations to deploy their own aid strategies, placing resources where they want and choosing their own channels of negotiation.

The achievement (or not) of alignment with national strategies is hard to assess. In the absence of a national development strategy, sector-based and regional strategies have abounded. The sheer variety and number of options and plans provide donors with the freedom to choose between different aid possibilities. On the basis of it own objectives, each donor is able to select the strategies it wishes to follow fully or partially. The result is a greater or lesser degree of alignment, depending on the donor’s intentions and the results of the negotiation process.

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13 Such as the Institute for Legal Defence (IDL).
National systems of fund management, which are established by law and associated regulations in Peru and implemented by government to fulfil specific management roles (DAC, 2006), are nevertheless under-used. On top of this, the huge amount of funds absorbed by private institutions, even in programmes and projects where the public sector plays a part, means that the use of national systems varies enormously from one donor to the next. With respect to European donors, the negative influence of Spanish and Italian aid has meant that these systems are of little importance. According to figures provided by the Monitoring Survey (DAC, 2007), the European Commission uses these systems in 25 percent of cases, and Spain in 20 percent. Italy, which is not assessed by the survey, channels all its resources into projects that run outside national systems.

The motives behind this rejection of national systems can be found in donors’ historic lack of trust in national management mechanisms. Donors harbour grave doubts over the impartiality, capacity and efficiency of national institutions when it comes to resource management. Reservations over the National System of Public Investment (SNIP) have also had a major effect, since this body is repeatedly denounced as an obstacle to aid projects due to its excessive bureaucratic demands. In addition, interviewees stressed that Peruvian institutions themselves seek to manage resources outside national systems. In other words, the numerous requirements and demands for paperwork have contributed to the preference of some public institutions for donor fund management over state management. The main result is an excessive freedom of choice for donors when it comes to choosing the ways and means to handle their funds. In this context, greater use of new financial instruments - and particularly of budget support - appears hard to attain. The willingness of donors to head in this direction is minimal, and current national conditions offer little reason to think that change will come.

This situation has resulted in general confusion over the terms of democratic control and domestic accounting. Without any clearly identified national bodies responsible for negotiating and managing development aid, supervision of this aid has been hindered, and is now effectively absent. The availability of information on the use of aid resources has likewise been reduced. One sign of this can be found in the comments of the Paris Declaration’s Monitoring Survey (DAC, 2007), where the deficiencies of the current system are laid bare, principally its failure to include aid resources in the budget, and the differences between the information given by donor bodies and that provided by national registers.

The sheer abundance of donors (now over 900) and the proliferation of aid projects has impeded moves towards harmonisation in the strict sense. Progress has been made in information exchange, through the donor forum and within specific areas through the Sector-Based Coordination Boards. In addition, the European Cooperation Matrix is an important step forward. But greater “degrees” of harmonisation, linked to new initiatives and the adoption of common procedures, have been little explored. The exchange and production of information has been spurred by the Governance Board. The greatest achievements in terms of joint actions and procedures have been secured by one board - that supporting the Peruvian Ombudsman. All the preceding arguments, meanwhile, account for the low level of harmonisation in official aid. The continuing prevalence of foreign donor strategy, the lack of clear leadership and well-defined intermediaries at the national level, the half-hearted link to national management systems, and the lack of a clear guiding document pointing the way towards alignment, have all served to block the path to greater harmonisation. In particular, the process is marked by a certain donor exclusivity in coordination fora: the coordination boards are basically organs of the donors themselves, and participation by national institutions is negligible. This situation has hindered improved dialogue between government and donors, blocked effective participation by the lead partner in the preparation of harmonisation strategies, and endangered transparency in aid resource management.
These problems are yet worse at the regional level. The proliferation of small projects, over-lapping interventions and the lack of coordination between small development organisations are common currency at the regional level. Solutions to these problems are not easily apparent, and the lack of coordination between donors is made yet worse by the large number of project handlers throughout Peru. In combination with the lack of decentralised government capacity, these factors put control over aid funds at some risk.

**Challenges**

**Harmonisation in Peru: paralysing confusion**

The application of the Paris agenda in Peru has so far been minimal. On the basis of the contrasts and dichotomies discussed above – mainly concerning the political and administrative centralisation of the country as against the major role played by private bodies – it is clear that while the philosophy of harmonisation is highly pertinent, the actual circumstances are of paralysis.

**Selection of instruments**

Comparison of the harmonisation agenda with the economic and political situation in Peru indicates that direct application of the proposed new instruments would not necessarily result in a response to the problems of the Peruvian aid system. It is evident that the new aid framework implies a reorganisation of the role of development aid. However, the donors engaged in Peru are clearly unhappy with the Paris Declaration’s proposals and instruments. Aside from the matter of their top-down application in aid-dependent countries, three issues increase concern over possible changes: (1) the widespread conviction that Peru’s needs cannot be solved via budget support; (2) the perception that the centralised nature of the new instruments does not match the decentralised nature of poverty in Peru; (3) the risks of further politicisation in the use of resources if aid is limited to following government priorities. The current fragmentation of aid activities, caused by the strategy of project-based interventions, is nevertheless harmful to the aid system as a whole, increasing transaction costs, reducing impact and preventing adequate control by supervisory bodies.

**Political dialogue**

Numerous donors have withdrawn from Peru in recent years, even though the general distribution of poverty has not changed substantially. This tendency is also evident in the use of funding channels and instruments, with donors preferring projects handled by private and multilateral bodies, leaving management in the hands of third parties rather than coordinating directly with a political framework that they find uncomfortable. Although the reasons for this may well stem from the donor’s own outlook, it is no exaggeration to say that part of the blame must be attributed to the lack of clear spaces to operate within a centralised political system. It is widely felt that the government’s moves towards greater ownership have been unilateral, and that the demands it has prioritised derive more from short term political programmes than from objectives reached in agreement with donors and civil society. While this behaviour is legitimate in light of the government’s prerogatives over the use of public resources, the Peruvian case goes to show that a lack of dialogue with donors can paralyse the harmonisation agenda. Donors have major interests and objectives in the current aid system, and these do not necessarily fit well in the agenda. As a result, the current response of donors borders on indifference towards greater political dialogue. Should this continue, the proliferation of project handlers with little commitment to the agenda, and the total absence of donor responsibility towards government and society, is sure to get worse.

On the other hand, the willingness of donors to harmonise strategies amongst themselves is also

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14 These include the Netherlands and Finland, while Sweden is set to follow.
limited, and their relations with government are largely bilateral. The dominant form of behaviour is of a general donor-government accord that suits the donor’s objectives, and which entails a choice of projects based on the donor’s criteria.

Institutional capacity and organisation in aid agencies
Political interest in application of the Paris agenda has been muted in most of the agencies interviewed for this study. The repercussions have been felt in the lack of institutionalisation of the contents of the Paris Declaration, and in informal and formal decision-making mechanisms. Meanwhile, the lack of decentralisation in decision making by most European aid agencies has meant that officials in Peruvian agencies show little interest in making necessary changes. The overwhelming perception that “the centre decides everything” has blocked the capacity for innovation.

Human resources
Coordination needs time and dedication. The lack of personnel is cited everywhere as a cause of poor coordination. Officials are often overwhelmed with work, and carry out more than one job. This means they cannot take part actively in coordination bodies, or limit themselves to a testimonial presence at meetings without getting involved in follow-up or evaluation. Combined with a lack of political will and a series of institutional disincentives, this entails that officials’ individual initiatives are usually circumscribed to their own concerns and motivations.

Ownership: government or state policy?
Perhaps the greatest problem detected in the democratisation process is the lack of participation by all levels of government and sectors of civil society in the design of development policies and strategies. Political forces, regional government, civil society and the private sector play marginal roles in this process. From the perspective of the impact of harmonisation on democratisation, two connections stand out. Firstly, given the lack of participation by these institutions in the drafting of the National Policy on International Technical Cooperation and the above-mentioned aberrations in the text, it is apparent that the proposals of other aid players were roundly ignored. Secondly, the sole inclusion of central government’s priorities has deepened the exclusion of decentralised governments and NGOs in the design of national development strategies.

Selection of instruments
In general, the lack of participation in the design of central government strategies represents one of basic reasons given by donors for their reluctance to embrace budget support or fund programmes managed directly by the government. However, this reticence is not necessarily beneficial to the aid system’s effectiveness in driving greater democratic openness. The current fragmentation of small aid projects means that donors play no important part in this process, and this can be seen clearly in the case of the their opposition to the PNCTI.

Political dialogue
The debate on the day the PNCTI was presented by the Peruvian government is indicative of the challenges ahead for donors in achieving greater political dialogue. Asked in a questionnaire “How can aid support government policy?” a group of delegates replied: “we believe that aid should not support government policy, but state policy” (PNCTI workshop, 2006). This pertinent observation perfectly illustrates the current situation in Peru. Aid has played an important role in the transition from the Fujimori era to democratic government, mainly through the Governance Board. Now, however, it is largely passive with regard to a greater opening of channels for participation.

Within the field of development aid, the preparation of strategies for development aid in Peru is characterised by the breach between government and donors, with neither side listening to the other. The government, particularly the APC1, has adopted a unilateral posture towards policy design, ignoring both domestic players
and the donor community. The donors, in response, have adopted the mistaken strategy of showing their disapproval through indifference towards the bill’s contents.

**Institutional capacity and organisation in aid agencies**

An effective contribution to the design of participative strategies in the partner country depends upon the capacities and organisation of the agencies charged with opening new channels of dialogue. Few agencies at present possess the abilities needed to carry out this task in a context of extremely fragmented poverty. Their place within central government has made it difficult to coordinate with regional and provincial administrations, both of which have demanded the implementation of public information systems and participative mechanisms for strategy design.

**Human resources**

Promoting greater democratic openness requires proper training for those foreign aid officials charged with cooperating with partners. Many of those capacities are currently possessed only by diplomats, whereas middle-ranking officials lack the training needed to engage in debate over new democratic mechanisms.

**Alignment: the twilight of the NGOs?**

The high number of NGOs working in Peru is a problem for relations between the government and the international aid system. The debate surrounding the recent law has been distorted by the indiscriminate treatment of national and international NGOs. National NGOs mainly seek to exert control over the state, and give voice to citizens’ demands; as a result, they engage in supervision of public funds, judicial administration and in research, among other activities. Foreign development NGOs, on the other hand, are service providers and promoters of development. While this is of course a generalisation, it nevertheless holds for most cases, meaning that the two categories of NGOs ought to be treated distinctly. What both have in common, however, is that most of them receive funds from abroad. It is this link that tends to obscure careful analysis of their activities. Since their motives and legal bases are different, equal treatment means confusion over the identity and purpose of each institution. The distinction between social auditing, which controls the quality of project interventions, and financial auditing, which monitors fund management (Hernández Celis, 2006), indicates the different rules that can and should apply to different institutions. Financial auditing is an obligation for both types of institutions, national and foreign. But social auditing, within the harmonisation framework, is more suited to foreign organisations working as development actors and engaging in service provision in communities where often the state has no presence.

**Selection of instruments**

Aid plays an important role in democratisation through the contribution it makes to Peru’s organised civil society. Yet in a context marked by conflicts between government and NGOs, the direct application of the Paris agenda, aimed at achieving results in the short term, can undermine human rights objectives over the longer term (Foresti, Booth, 2006, 58). The strict application of aid instruments intended to bring about greater alignment with national systems could lead to the disappearance of support for NGOs, undermining the ability of organisations that have played a major role in the Peruvian political system. Some sort of balance must be found between the spirit of harmonisation and respect for – and promotion of – democratic principles.

As regards foreign development NGOs active in Peru, the key debate is over the way in which they decide their priorities, handle their resources and make themselves accountable to Peruvian society. The widespread belief that these bodies are anarchically run, and that their fund management is chaotic, lay behind the government’s moves – through the APCI – to control their operations. The NGOs have responded not by complaining about the bid for greater management control, but over the signs that these efforts have been politically motivated.
Lessons learned: options for donors

Contribution to the definition of the Peru harmonisation agenda

Selection of instruments
The first step for agencies is to demystify the instruments they propose to use as part of the new agenda, and put an end to systematic refusal to make use of them. The challenge lies in leaving behind dependency on project-oriented aid. This process must be gradual, and call upon a range of possible alternatives. Fund baskets, support for sector-wide programmes and the search for budget support instruments that are linked to regional programmes are all feasible moves that donors should explore. Until agencies make their aid instruments more flexible, the harmonisation process will make little progress.

Political dialogue
The preceding analysis has shown the need for a debate that, while conscious of the new concepts connected with harmonisation, seeks to adapt these ideas to the Peruvian context. Government initiatives aimed at ownership and alignment in the shape of the PNCTI may not be to the donor community’s liking, but they mark a step forward by the government. It is now the donor agencies’ turn to show what it thinks, and to push for an honest debate with the government over what role they think the aid system should play in Peru, and how its goals might best fit with the new agenda.

Capacity and institutional organisation in aid agencies
The lack of controls means that monitoring of NGO activities is in practice carried out only by the sources of development funds. In terms of the debate over monitoring by national institutions, many officials in foreign NGOs insist that there are already “enough controls from those who provide the resources”. However, this is not a solid argument in itself, and in any case donor agencies rarely have the capacity to carry out proper control over the management and execution of their projects. Control is narrowed down to account checking, and is rarely extended to management and project impact.

Human resources
The handling of aid projects by NGOs reduces operational and management costs for donors. But the monitoring and coordination of their activities requires that officials are ready and able to supervise them, above and beyond simple account checking. The current lack of personnel in these agencies endangers management mechanisms and the effectiveness of these projects.

Political dialogue
The current situation, in which almost half of all aid grants are handled by private bodies, is regarded as an obstacle to greater ownership by the government, and a means for donors to avoid bureaucratic tangles. The aforementioned confusion surrounding the supervision of financial management and the monitoring of project objectives now stands at the heart of debate. Donors play a major part in this debate due to the fact that they contribute most of the NGOs’ resources. The reasons for this resource flow are complex, but in general donors, acting out of their own interests, beliefs and dislikes, seek to delegate to third parties the implementation of their aid activities. In theory this should not mean they are free from their responsibilities to the Peruvian state, nor to respect the principles of national leadership and alignment with the partner’s development goals. But this is precisely what now occurs. The donors’ role is that of exerting control via their own procedures, neglecting in the process support for the Peruvian state or for synergies between mechanisms of control and supervision.

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new concepts. This would require not merely a major push from headquarters, but also follow-up and monitoring to check that the desired changes are coming about.

**Human resources**
The dynamic of harmonisation depends upon fresh capacities and properly trained staff. Adding new responsibilities to existing staff, or appointment inexperienced employees, would only add to the workload and ineffectiveness of everyday operations. It is crucial that new officials be trained, and are able to dedicate themselves to permanent interaction with the government and other players involved in coordination processes.

**Widen participation in development strategies**

**Selection of instruments**
Given the low levels of cooperation in the Peruvian political system, finding the right instruments to make progress in harmonisation while also encouraging the opening of new participatory mechanisms entails a serious commitment to internal reflection and innovation. This is unlikely to happen if aid agencies only give unthinking support to central government priorities, while limiting their actions to closed bilateral negotiation with the government. It is essential to identify firstly the spaces in which the aid system can help stimulate democratic opening, and secondly, the instruments that could lead to widespread participation by political actors in the setting of priorities for development aid.

The new policy of programme support gives some example of major initiatives that donor agencies could take:

i. Continue support for a basket of funds for the Ombudsman  
ii. Support programmes for the implementation of the National Accord  
iii. Sector-wide budget support for regional governments  
iv. Capacity building programmes for regional government  
v. Support programmes for the administrative decentralisation process  
vi. Support programmes for the decentralisation of the APCI  
vii. Coordinated programmes for civil society empowerment

**Political dialogue**
In the first place, dialogue with the government is needed to identify the role of aid in the decentralisation process. The best route to engagement in capacity building in decentralised governments (regional, provincial and district), and with civil society actors, would be through coordination with central government. It is the government’s and donors’ joint responsibility to give priority to capacity building for key actors in the aid system.

Secondly, dialogue must begin over the demands imposed by the PNCTI. This policy initiative without doubt represents a major effort, deserving close attention as a tool to achieve greater ownership. However, the fact that it emerged exclusively from the government has undermined its democratic legitimacy both for domestic players and for donors. Questions arise over the limits of harmonisation and unthinking alignment. Yet the government has made the first move, and it is up to the donors to respond. Their response should include a demand for greater openness, and a participative process to review the priorities laid down by the strategic development framework. Agencies’ priority must be to construct a body for dialogue with the government - principally with the APCI - in which different views of the PNCTI can be expressed, and in which agreement is reached over how the policy can be put into practice.

**Capacity and institutional organisation in aid agencies**
The search for consensus depends upon political support to carry out what has been agreed. For this, agencies must have enough capacity to take decisions that can later be implemented. Here the crucial move would be greater decentralisation of powers, giving
has given the agency more power, yet it is unable to carry out its duties unless it gains support from donors. Responsibility for control and supervision is shared, and agencies cannot shirk their role. The proposal is thus for dialogue with the APCI with the aim of improving its operations and those of NGOs.

Dialogue with NGOs is fundamental to the process of securing greater alignment between their activities and those of national development strategies. Although these are private bodies, the essence of the harmonisation process - namely that the state decides priorities - ought to be honoured. Both the APCI and donors have a vital role to play in the task by looking for opportunities for dialogue with NGOs, which could result in a more concerted process of alignment. Donors have their share of responsibility, and the power to link their operations with programmes run by the government in priority areas. But the prime responsibility lies with the NGOs, who are obliged to respect the priorities of national development strategies in deciding where to place and how to handle their resources.

Capacity and institutional organisation in development agencies

Supervision of the workings of NGOs requires increased monitoring capacities. This should not be limited to simple account checking, but should widen to include follow-up of the way objectives are being met, and on interactions with public bodies.

Human resources

Officials who take part in NGO monitoring must be prepared not only to check financial records, but also to assess the effectiveness of the projects undertaken. One possibility would be to push for a new code of conduct, based on self-regulation aimed at providing information to national supervisory bodies.

Opportunities for European aid

The European Union is the greater power in the harmonisation arena thanks to the nature of its

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15 Given the volume of aid directed through NGOs, this recommendation applies particularly to Spanish aid.
political, legal and institutional framework. In terms of development aid, the powers established by the Maastricht Treaty, the directives resulting from the European Consensus on Development, and the mechanisms designed by the so-called "Aid Effectiveness Package"\(^\text{16}\) together represent unique conditions for achieving greater coordination.

A number of initiatives have begun on the ground, although the spirit of the process has not yet been fully felt. The Commission’s leadership is weak, and the inclination of European donors to reform is half-hearted.

On the other hand, the European Union’s 34 percent share of aid resources and its long history in promoting democratic processes have given it the wherewithal to contribute to democratisation in Peru.

The clearest way to make use of these advantages would be to use all the established routes for inter-European coordination. The aim should be to carry out joint actions that lay down a route map for harmonisation, and to create a code of conduct for relations with the Peruvian government. The greatest responsibility here lies with the leadership offered by the European Commission’s delegation in Peru, but the success of European coordination also depends on the commitment and participation of member states working on the ground.

**Spanish aid**

The internal conditions of Spanish aid are unique. At its heart are numerous players and a variety of instruments. The presence of development NGOs is strong: between 2002 and 2005, 77 percent of Spanish aid funds were handled by development NGOs.\(^\text{17}\)

Without engaging in a detailed analysis, it is worth highlighting the challenges in internal coordination that this system represents. This is the motive behind the Council for Spanish Aid Coordination, which has been founded on the need to define the identity of Spanish aid, and stall the trend towards fragmentation.\(^\text{18}\)

There is a positive and a negative side to this. For one, the volume of Spanish aid to Peru means that internal harmonisation could result in a major reduction in transaction costs for aid management in the country. However, this centripetal force could make it more difficult to achieve coordination with the Peruvian state and other donors. There is an interesting issue here as to whether Spanish aid should aim for greater internal coordination, or simply proceed individually in a framework of general coordination with other donors. Two recommendations can be made:

- It is crucial that the AECI support connections between the decisions of the Council for Coordination, which it chairs, and the global harmonisation process, especially in terms of interaction with the Peruvian government and within the European Union.
- Faced with the dominant role played by private, decentralised bodies in the handling of funds, the AECI must consider the option of emphasising its role as a coordinator and leader of Spanish aid in the process of harmonisation with the government and other donors, and leave to one side its role as an executive body.

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Development aid represents only 0.7 percent of Peru’s GDP, but the country’s political, economic and administrative systems have moulded a unique relationship between foreign aid and domestic actors. An extremely presidential political system with a highly centralised public sector and years of conflict between political authorities and organised civil society have all proved to be major influences. The development aid sector, meanwhile, has formed its own spaces, channels and means for choosing where its resources should go.

Peru does not have a national development strategy as defined by the Paris Declaration. However, in 2006 the government assumed a prominent role in efforts to achieve greater ownership of grant aid, mainly through the Peruvian Agency for International Technical Cooperation, the National Policy for International Technical Cooperation, and the law to reform government powers over private bodies. These processes symbolised the possible impact of aid harmonisation on democratisation. Despite its technical merits, the National Policy seemed only to reflect government thinking. And the law, which aimed for much-needed transparency, has been attacked for its alleged threat to civil society organisations’ freedom of action.

In this context, neither the government nor aid agencies have managed to reach agreement on the scope of the harmonisation agenda nor on the route to follow in its application. Widespread suspicion of government control, and a sense that the new aid instruments fail to match the fragmented and decentralised character of Peruvian poverty, have together paralysed the agenda. Meanwhile, the ties between donors and NGOs have impeded the process of alignment between strategies and national systems, and thus undermined the possibilities for greater control by national regulators.

This working paper finds that aid agencies must adapt their modes of intervention and their capacities to this new context. European development aid, which represents 35 percent of non-reimbursable aid flows and has a historically democratic orientation, has a special role to play in this process.