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Supporting domestic accountability in developing countries

Taking stock of the approaches and experiences of German development cooperation in Peru

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BMZ Federal Ministry for Economic Cooperation and Development

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Preface

The case presented in this document has been prepared on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) in the context of a larger study on German support to domestic accountability. The purpose of this larger study was to take stock of main lines of intervention of German development with regard to strengthening domestic accountability systems in partner countries. More specifically, the study analyses how different actors of German development cooperation, and the German development organizations (KfW, GTZ, InWEnt, DED, German NGOs, German political foundations) support domestic accountability systems around key policy processes and in the focal sectors of German cooperation. To this end, a stock-taking exercise, involving literature-based research and telephone interviews was conducted in six partner countries: Bangladesh, Mali, Malawi, Mozambique, Peru and Tanzania.

Research for the case study on Peru has been conducted between July and October 2010. The document and findings thus give a snapshot of the country context and German development cooperation at the time of writing in December 2010. At time of interviewing and writing, GTZ, InWEnt and DED, had not yet been merged into GIZ. Accordingly, the old acronyms are used throughout the case study.

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Disclaimer

The views expressed herein are those of the authors and should not be attributed to BMZ or any other party.

Acronyms

AECID	Spanish Agency for International Cooperation
AIDESEP	Asociación Interetnica de desarrollo de la selva peruana
AMPE	Asociación de Municipalidades del Perú
ANGR	Asamblea Nacional de Gobiernos Regionales
APCI	Agency for International Cooperation
APRA	Alianza Popular Revolucionaria Americana (Party of the President García)
ASAT	Asociación de los Servicios de Administración Tributaria (Association of local semi-autonomous tax offices)
BMZ	German Federal Ministry for Economic Cooperation and Development
BTI	Transformation index produces by the Bertelsmann Stiftung
CEPLAN	Centro Nacional de Planeamiento Estratégico
CGR	Contraloría General de la República (Supreme Audit Institution)
CIM	Centre for International Migration and Development
CONAP	Confederación de Nacionalidades Amazónicas del Perú
CSOs	Civil society organisations
DECSAL	Decentralisation and Competitiveness Structured Adjustment Loan
DED	German Development Service
ECDPM	European Centre for Development Policy Management
EED	Church Development Service
EITI	Extractive Industries Transparency Initiative
EU	European Union
GIZ	German development cooperation
GNP	Growth National Product
GOVNET	OECD-DAC Network on Governance
GTZ	German Technical Cooperation
IADB	Inter-American Development Bank
InWEnt	Capacity-building International, Germany
KfW	Development Bank, Germany
MEF	Ministry of Economy and Finance
NGOs	Non-governmental organisations
OCIs	Oficinas de Control Institucional (Internal auditing units)
ODA	Official Development Assistance
OECD-DAC	Development Co-operation Directorate of the Organisation for Economic Co-operation and Development
PBA	Program-based approaches
PCM	Council of Ministers
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PpR	Presupuesto por Resultados (Results-based budgeting)
REMURPE	Red de Municipalidades Rurales del Perú
SEACE	Sistema electrnico de contractaciones del estado (State supervisory body for public contracting)
SIAF	Integrated Financial Management System
ST-CIAS	PCM Secretariat of the Inter-Ministerial Commission on Social Affairs
TA	Technical assistance
UN	United Nations

UNDP	United nations Development programme
USD	United States dollar

Executive summary

Peru has been one of the best economic performers in Latin America in the last decade. It is a country with a low level of dependency on international aid. In 2008, it received 0.4% of its GNP as net ODA inflows, according to the OECD. In spite of economic success, Peru is still undergoing strong economic and political transformation eleven years after the collapse of the Fujimori regime. A closer look at Peru's social development also reveals an ambivalent picture, with strong inequalities between urban and rural areas. This unequal access to the benefits of Peru's economic growth is one reason for growing social tensions and widespread public disagreement with President Garcia's administration. Another reason for tension is the (perceived and/or real) weak performance and governance of state institutions. Wealth and income continue to be extremely unequally distributed and the government has so far failed in a significant redistribution of the country's wealth towards the poorest part of society. In particular, the strengthening of good governance, which is behind economic success, is lacking. For example, despite numerous laws and degrees, progress regarding the political, administrative and fiscal decentralisation processes introduced under the Toledo government (2001-2006) and continued by Alan García, has been slow. Another major challenge for Peru is the fight against corruption.

The system of horizontal checks and balances remains fragile because of an omnipresent executive, corruption and a low degree of administrative and political professionalism, in particular within Congress and the judiciary, which are largely unable to hold the executive branch accountable. However, the Supreme Audit Institution (Contraloría General de la República, CGR), the Ombudsman Office (Defensoría del Pueblo) and the Constitutional Court are positive drivers of domestic accountability. On the other side, the vibrant and well-organised civil society and the media are key drivers for vertical accountability. Regional and local government organisations do not yet play a major role regarding accountability, but they could gain strength in the future. Peru has signed a few international agreements and conventions and is the only country within the Andean region that is undergoing the process leading to full membership in the Extractive Industry Transparency Initiative (EITI) .

Germany has supported Peru with sector budget support, in particular in the area of governance. Its approach is multi-level, with interventions at the national, regional, and local levels. The most relevant activities of German development cooperation in strengthening domestic accountability systems aim at reinforcing the budget process and decentralisation, through both the technical cooperation of GTZ and the financial cooperation provided by KfW. Moreover, the Ombudsman Office has been supported by GTZ in fighting corruption and in monitoring social conflicts. CIM, DED, InWEnt and German NGOs are also involved in strengthening domestic accountability and Deutsche Welle has supported media development with training for investigative journalists. With the positive exception of the cooperation between KfW and GTZ in supporting the follow-up of the Public Financial Management Performance Report, no formal cooperation could be identified between German development agencies in supporting domestic accountability in Peru.

Although some improvements have been made in recent years, donor harmonisation in Peru is still at an early stage. Given the fact that most donors work with the same key actors of domestic accountability, such as Congress, the Ministry of Economy and Finance (MEF), the Council of Ministers, the CGR or the Ombudsman Office, there is considerable room for improvement in employing synergies and complementarities. However, two initiatives that rely on the participation of several donor agencies and organisations do exist. The first one is the basket funding provided to the Defensoría del Pueblo (Ombudsman Office) for a period of five years by Canada, Spain, Switzerland and Belgium. The second is the participation of several multilateral and bilateral agencies, including GTZ and KfW, in follow-up activities to the first "Peru Public Financial Management Performance Report" (PEFA-Report). Good and transparent cooperation between national PFM actors, mainly the MEF, and donors is essential for realising efficient and accountable programme-based approaches in the future. Nevertheless, it will be a challenge to actively involve other stakeholders, such as CGR or Congress, in the process of budget accountability in such a way that avoids strengthening the executive branch's accountability towards donors, instead of strengthening domestic accountability systems.

Introduction

When, in April 2010, the German Federal Ministry for Economic Cooperation and Development (BMZ) commissioned this internal stock-taking exercise on German support to domestic accountability in six countries, it was decided to include a case study from Latin America, in an effort to make the stock-taking exercise on German support to domestic accountability geographically more comprehensive, by providing different perceptions from different geographical regions. In addition to the four case studies from African countries, and one from Asia, Peru was chosen to represent the Latin American continent, as it is a recipient country for sector budget support provided in several sectors by different donors, including Germany.

Moreover, Peru was also chosen a case study in the framework of the OECD/ DAC's GOVNET study 'Improving Support to Domestic Accountability', initiated in March 2010. As the German Ministry of Economic Cooperation and Development (BMZ) is a member of this GOVNET work-stream, the purpose of this exercise was not only to inform German policy making, but also contribute to the relevant discussions in Peru and feed into the research done by GOVNET (Loquai, C. et al. 2010).
This case study summarises the findings of research on German support to domestic accountability in the Andean country. Drawing on a literature review and telephone interviews, this case study provides a closer look at perceptions regarding domestic accountability in Peru. It takes a snapshot of the country context in 2010 and explores how German development cooperation and some other donors aim to strengthen domestic accountability systems with programme-based approaches and budget support.

The study is structured as follows:

Chapter 1 briefly comments on the methodological approach pointing to elements of the analytical framework that has been developed for the broader stock-taking exercise.

Chapter 2 places the study in the larger political context and aid environment in Peru.

Chapter 3 takes a closer look at (potential) drivers of accountability and the relations between them. The chapter also identifies a number of policy processes and debates that were considered particularly important or relevant for the rising of domestic accountability in Peru.

Chapter 4 maps and analyses the German support for strengthening domestic accountability, focusing on a selected number of policy processes and issues. The chapter also looks at the complementarities and synergies between different lines of interventions and instruments of German aid.

Chapter 5 places German support in the context of wider donor efforts to strengthen domestic accountability systems exploring complementarities and the scope for strategic alliances and a greater harmonisation of approaches.

Chapter 6 summarizes key findings and draws some preliminary conclusions.

1. Methodology

The research for this case study followed the analytical framework and methodological approach that was developed for the larger stock-taking exercise on German support to domestic accountability (Loquai et al. 2010).

This framework acknowledges that domestic accountability is a somewhat elusive concept. For the purposes of analysis, it distinguishes the following two dimensions or lines of accountability:

- **Horizontal or intra-state accountability**, which refers to the inner system of checks and balances between state institutions and the capacities of these institutions to assume oversight, control or audit functions that render the actions of the state more accountable and transparent.
- **Vertical accountability**, which refers to the answerability of the state to its citizens as well as mechanisms that are used by citizens and non-state actors to hold institutions of the state accountable.

In line with recent research findings, the analytical framework for this study departs from the assumption that domestic accountability usually emerges through the interaction of a variety of state and non-state actors who draw on specific principles, incentives and agreements incorporated in legal frameworks and administrative procedures or traditions. Accordingly, the case study analyses not only how different actors of German development cooperation aim to support potential drivers of domestic accountability, such as Parliament, national audit institutions, non-state actors or media, but also how they help to develop political involvement and build institutional mechanisms that allow these actors to engage in political debates and cooperate. The focus of the study lies rather on support for “domestic accountability systems”, including appropriate legal frameworks, procedures and institutional mechanisms, than on individual institutions.

The following actors are considered potential **drivers of domestic accountability**, in the sense that they are important pillars of the state’s system of checks and balances or play an important role in ensuring that the government and the administration are answerable to the citizens in a democracy: Parliament the judiciary, supreme audit institution, civil society organisations, political parties, ombudsmen, media, local governments and their associations (in a decentralised political system). Given that in many developing countries traditional authorities are important both socially and politically, the study also looks at their role as drivers of domestic accountability and more generally at the influence of informal aspects of governance.

Recent research corroborates that domestic accountability is mainly a result of the political engagement and interaction of domestic actors (DAC 2010; Eberlei 2001; Morazán and Koch 2010). However, external actors, such as donors or other global actors, such as international regional organisations, international watchdog or advocacy organisations, multinationals or international agreements can impact (positively or negatively) on domestic accountability. Consequently, the specific role of these external influences is also considered in the analysis.
More detailed information on the assumptions and analytical orientations that have guided the research for this case study can be found in the inception report for the stock-taking exercise (Loquai et al. 2010).

The research was guided by a detailed list of research questions that are presented in the inception note. Roughly speaking, they revolved around the following overarching research questions:

- To what extent has the objective of promoting or strengthening domestic accountability systems been integrated into the strategy and programme documents of German-Peruvian development cooperation?
- To what extent and how do German development organisations, i.e. the bilateral agencies, German NGOs and the political foundations as well as the Embassy support domestic accountability in the country?
- How complementary are the approaches and instruments of different actors of German development cooperation and how could they be combined to achieve greater synergies?
- What kind of support do other donors/their agencies provide in support of domestic accountability in the country and how can complementarities and synergies with German actors and their partners be enhanced with a view to greater harmonization and aid effectiveness?
- What obstacles and challenges have been encountered by actors of German cooperation (and the wider donor community) in their efforts to strengthen domestic accountability systems and what lessons have been learned?

In line with the general methodology, this study presents one practice case that was considered particularly illustrative of the way in which German development cooperation aims to strengthen domestic accountability systems in Peru.

Methodologically, the research for this study draws on four components:

- a review of literature,
- a review of strategy and programme documents of German development cooperation,
- a series of 10 semi-structured telephone interviews,
- additional information and comments the authors received when the draft of the case study was circulated among key stakeholders of German development cooperation.

The interviews mainly focused on representatives of different German development organizations, BMZ and the German Embassy. A full list of interlocutors consulted for this study is provided in Annex A. With a view toward exploring room for synergies and complementarities between the efforts of German development cooperation and those of other donors, the author explored the intervention of some other donor agencies in the country and presented the most relevant to the purposes of this study, including a case of practice on the joint intervention of the World Bank, the Inter American Development Bank and the European Commission in favor of improved Peruvian public financial systems and practices. In addition, representatives of two governmental institutions were interviewed to take the national perspective into account.

Timewise, research for this study has been carried out in parallel to the GOVNET's work-stream case study on "Improving Support to Domestic Accountability" in Peru. Initially, contacts with GOVNET were established in July 2010 to ensure complementarities. However, because information on the methodology and focus of the GOVNET case study and first draft were accessible only in late December (cfr. Ciudadanos al Día, 2010), when this case study had already been finalised and circulated to German stakeholders in the field, it was difficult to change the text retroactively to integrate the findings of GOVNET's research.

As they stand now, both studies are largely complementary: the GOVNET study aims for a much more exhaustive mapping of donor approaches to domestic accountability, while this case study focuses on the approaches of different actors of German development cooperation and synergies with selected other donors. GOVNET's study describes and assesses a panoply of different instruments and procedures that have been introduced with the assistance of the donor community to strengthen domestic accountability. The present study simply describes the main lines of interventions of German development cooperation, highlighting the specific approach and experiences of German actors and their efforts to create synergies and complementarities with the assistance provided by a selected number of donors. The author hopes that the findings of this case study, which have been shared with GOVNET, can help to contribute to a better understanding of how bilateral and non-governmental German development organizations aim to promote domestic accountability in Peru and how they collaborate and harmonize their approaches with those of other donors.

2. The political context and aid environment

Ten years after the collapse of the Fujimori regime, Peru is still undergoing strong economic and political transformation. Under the government of President Alan García (in office since July 2006), the country's economy has been one of the best performers in Latin America, with an average growth rate of 8.5% from 2006 to 2008 (PEFA 2009, p.23). Fiscal discipline and sound macroeconomic policies, a relatively favourable international economic climate, as well as increases in raw material prices have positively impacted Peru's economic development and also supported its quick recovery from the latest global recession. As a result, poverty rates have declined continuously, from 48.7% poor and 17.4% extremely poor in 2005 to 34.8% poor and 11.5% extremely poor at the end of 2009 (BMZ, 2009a p.2 and GTZ, 2009 p.4).

However, a closer look at Peru's social development reveals a more ambivalent picture with strong inequalities between urban and rural areas. While poverty rates have been declining sharply in urban areas such as Lima, the predominantly rural regions of the Andes and the Amazon lowland continue to suffer from high and even increasing poverty rates (e.g. Huancavelica with a poverty rate of 69%). Extreme poverty still remains ten times higher in rural areas than in urban areas. This unequal access to the benefits of Peru's economic growth is one reason for growing social tensions and widespread public disagreement with President Garcia's administration.[1]

Another reason for tension is the (perceived and/or real) weak performance and governance of state institutions. Wealth and income continue to be extremely unequally distributed and the government has so far failed in a significant redistribution of the country's wealth towards the poorest part of society. Political transformation and the strengthening of good governance which are behind economic success are lacking. According to the BTI 2010 Country Report on Peru, the main problems of the political system include weakened statehood, the precarious structure of political representation, a lack of adequate checks and balances, and above all, a weak judiciary. The latest World Bank Governance Indicators show a clear decline in political stability, the rule of law, government effectiveness and the control of corruption between 2002 and 2008 (GTZ, 2009 p.11).

Peru is formally a presidential democracy with traditionally a strong executive. Political, administrative and fiscal decentralization processes have already been introduced under the Toledo government (2001-2006), but despite numerous laws and degrees, progress has been slow. Regional and local governments still struggle with structural deficits such as underfunding, low technical skills, lack of qualified staff, and widespread corruption. Especially in parts of the Andes and the Amazon region, the state presence is weak or nonexistent, leading to an inadequate basic infrastructure.

Since the Fujimori and Montesinos era, political society, civic actors, and the public have become highly sensitized to corruption in politics. The public regards the fight against corruption as one of the most crucial aspects of good governance (Bertelsmann Stiftung, 2009 p.14). However, it wasn't until a major corruption scandal occurred in the petroleum sector in 2008, involving Garcia's cabinet chief and other members of the government, that the Garcia administration established a National Anti-Corruption Plan. Congress installed a special multi-stakeholder commission to control, monitor, and evaluate the implementation of the National Anti-Corruption Plan. In January 2010, a high level commission on anti-corruption linked to the Council of Ministers took up its work as a political steering instrument to elaborate new proposals and

[1] Latest data of the 2008 Latinobarómetro survey show that only 14% of Peruvians are satisfied with their government's performance (the average for Latin America is 57%). 40% of the population – the highest percentage in Latin America – thinks that Peru's democracy works worse than democracy in the rest of the continent (BTI, 2010 p. 18).

strategies on anti-corruption. Nevertheless, the fight against corruption is still one of the major challenges for Peru; the country is ranked 75 out of 180 countries in the Corruption Perception Index 2009.

Peru is not highly dependent on international aid. According to the OECD, net ODA inflows to Peru in 2008 were 466 million USD or 0.4% of GNP (www.oecd.org/dataoecd/23/ 42/1882858.gif). The most important bilateral donors were Japan, Spain, the United States, and Germany. Important multilateral donors are the European Commission, the World Bank, and IADB. Program-based approaches (PBA) are also not important instruments in development cooperation with Peru. The latest available data, from 2007, show that from a total of 407 million USD aid inflows, only 34 million USD were granted through budget support and 15 million USD through other PBA schemes. In total, only 12% of aid to Peru in 2007 was program-based. Regarding budget support, no general budget support has been granted to Peru so far. Most budget support was given through sector budget support programs (OECD, 2008 p.98).

3. Perceptions on domestic accountability in Peru

3.1 Dimensions and drivers of accountability

Peru was one of the most centralised states in Latin America during the Fujimori era. Due to this heritage and its presidential political system, horizontal accountability is hampered by a strong concentration of power in the executive branch of government, and comparatively weak legislative and judicial branches. Although of late, President García has sought parliamentary majorities to back his policies, there is an inclination to use the presidential veto and decrees to bypass Congress on important policy issues such as combating organised crime or state modernisation.

Within the executive branch, two state institutions stand out: the Ministry of Economy and Finance (MEF), which is a key player within budget processes and in providing transparent budget information to other state institutions and the public, and the Council of Ministers (PCM), which is especially important for coordinating national and sector policies such as state modernisation and decentralisation. PCM is also leading the government's strive for increased transparency. It further leads the coordination of relations with other state institutions and responds to requests for information by Congress.

Congress is one of the weakest institutions in Peru's system of horizontal checks and balances and is largely unable to hold the executive branch accountable (Mücke, 2009 p.4). Parliamentarians have a bad reputation within the population, and are considered by most Peruvians to be corrupt and inefficient (Bertelsmann Stiftung, 2009 p.14). Congress rarely sets political priorities, and technical shortcomings in the legislative process, as well as inappropriate behaviour by some parliamentarians, add to this rather weak impression.

The inefficient and corrupt judiciary present an even more desolate picture. Having made some progress towards more independence since the end of the Fujimori regime, the judicial system is still considered to be weak, inefficient, relatively politically dependent, and above all, extremely corrupt (BMZ, 2009b p.4, Mücke, 2009 p.4). However, two "islands of excellence" stand out within the judiciary system: the Constitutional Court and the Ombudsman Office (Defensoría del Pueblo). The latter is considered to be neutral and trustworthy (KfW, GTZ, DED, InWEnt, CIM, 2009 p. 10). With its national and decentralised units, it plays a positive role in the fight against corruption, as well as in monitoring and mediating social conflicts such as the Bagua conflict in the Amazonas region. One of the most important state institutions for horizontal budget accountability is Peru's Supreme Audit Institution (Contraloría General de la República, CGR). It enjoys a good reputation due to its independence and neutrality. Around 75% of the central government's total expenditure is subject to annual audit by the CGR and audited entities are legally obliged to follow the CGR's recommendations within fifteen calendar days (EU, World Bank, IADB. 2009 p. 98f).

In summary, Peru's system of horizontal checks and balances is very weak and remains fragile because of an omnipresent executive, corruption, and a low degree of administrative and political professionalism, in particular in Congress and the judiciary (Bertelsmann Stiftung, 2009 p.12). However, the Supreme Audit Institution, the Ombudsman Office and the Constitutional Court are positive drivers of domestic accountability.

Regarding vertical accountability, the focus lies on the possibilities of citizens and civil society organisations to hold state institutions accountable "from the outside". Political parties, media, traditional authorities, as

well as local governments and their associations are also important stakeholders that can influence the vertical system of checks and balances.
In Peru, citizen participation is largely confined to national and local elections with inadequate mechanisms of participation in between elections (BMZ, 2009b p.3). Widespread distrust of political institutions, as well as the low level of education of large parts of society, further weakens participation and vertical accountability processes. However, numerous participatory instruments such as participatory budgeting, participatory development planning, roundtables, or local dialogue forums have been implemented throughout the country.

Civil society organizations (CSO) in particular participate in these mechanisms as representatives of different interests in society. Peru's civil society possesses a relatively high ability to organise itself, and the legal framework for CSO is adequate. However, the majority of CSOs are based in the capital of Lima, and furthermore there has been a recent tendency by the executive to increase restrictions and state control over CSOs. An example is the adoption in 2007 of a new and more restrictive law on NGOs, which was later put on hold by the Constitutional Court. An increasingly negative discourse by some politicians and representatives of the executive branch, and continuous attempts by the state to hinder CSOs in their work indicate a worsening of conditions for civil society to hold the government accountable (BMZ, 2009a p.4). The limited success of official participatory mechanisms can also be noticed in an increase in violent social conflicts, mostly evolving around the distribution of resources such as mining or land use rights.

An important place for discussion between the public sector and civil society is the multi-sectoral national Round Table for the Fight Against Poverty (Mesa de Concertación para la Lucha contra la Pobreza). This round table was installed in 2001 to support the democratic transition of Peru, and all important stakeholder groups of the country are represented in its executive committee. The "Mesa de Concertación" is also represented at the regional and local level and has, since its creation, promoted policy issues such as decentralisation, social development, or participative budgeting.

Traditional authorities have not been politically relevant in Peru. Only recently, indigenous movements in the Amazon Basin have started to gain some influence, in particular through political mobilisation against the (planned) exploitation of natural resources. These conflicts have been increasingly violent in recent years. In the Amazonas regions, two important indigenous associations represent a broad range of indigenous communities: CONAP (Confederación de Nacionalidades Amazónicas del Perú) and AIDESEP (Asociación Interetnica de desarrollo de la selva peruana).

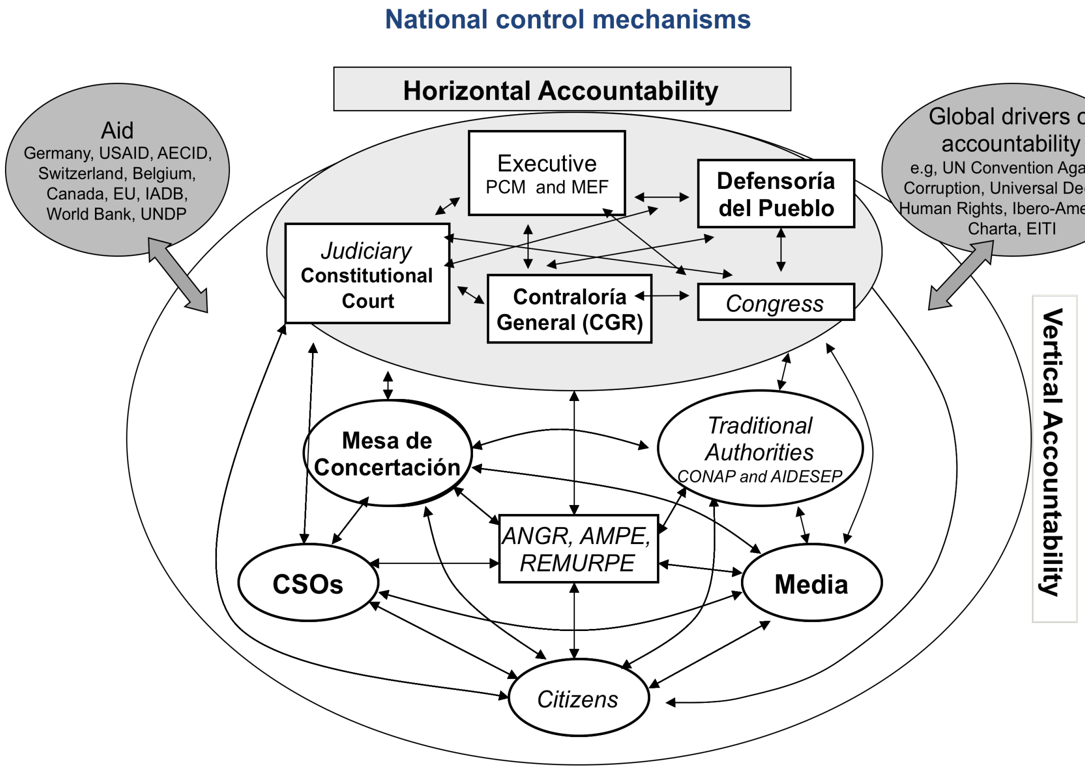
Political parties do not play a relevant role within the system of vertical accountability. The established party system broke down between 1990 and 1992 and has been unable to regain organisational stability or anchor itself in society with the possible exception of the APRA Party of President García (Bertelsmann Stiftung, 2009 p.17). One reason is the high fragmentation of the party system which has been largely unable to adequately mediate between the state and a highly heterogeneous and segmented society. Political parties in Peru have largely failed to establish stable relationships with voters. In general they have difficulty in formulating clear programme objectives and tend to focus on personalities and patronage.

In contrast, the media plays an important role as a driver of accountability. Freedom of expression is almost unrestricted and major corruption scandals have been revealed and reported by the press in recent years. However, the mass media are largely in the hands of a few influential families. Furthermore, pressure by the political establishment, private or criminal powers on individual members of the media is more frequent, especially at the local level. Due to a weak and corrupt judiciary, freedom of expression is sometimes not adequately protected (Bertelsmann Stiftung, 2009). Regional and local governments and their associations have only recently started to enter the political arena. Since its initiation at the beginning of the decade, the decentralisation process has been slow. At the local level, AMPE (Asociación de Municipalidades del Perú) and REMURPE (Red de Municipalidades Rurales del Perú) are slowly increasing their lobbying capacities. Together with the newly founded ANGR (Asamblea Nacional de Gobiernos Regionales), they have, for the first time, added a joint statement to the budget bill in 2009. Nevertheless, coordination between national and sub-national levels was sporadic in 2009 and the planned Board for Intergovernmental Coordination is not yet a player regarding accountability (KfW, GTZ, DED, InWEnt, CIM, 2009 p.11).

In summary, the key drivers for vertical accountability are the vibrant and well-organised civil society, and the media. Regional and local government organisations do not yet play a major role but could gain strength in the future.

When analysing domestic accountability systems, the influence of external actors, such as regional and international organisations or compacts should be considered. Peru has signed international agreements and conventions such as the UN Convention against Corruption, the Universal Declaration of Human Rights, and international conventions on political rights, such as the Ibero-American Code of Good Governance, and the Ibero-American Charta of Citizen Participation (Márquez Calvo and Távara Castillo, 2010 p.32ff). The commitment to comply with these international and regional agreements positively influences domestic accountability in Peru. Another international commitment influencing domestic accountability is the Extractive Industries Transparency Initiative (EITI). Peru is the only country within the Andean region that is undergoing the process to obtain full EITI membership. Mining and gas production account for 7% of BIP (BMZ 2010 p.9). The mining sector is particularly important in Peru; this sector accounted for 60% of exports in 2009, and transparency and accountability of state revenues have been increased in recent years to fulfill the EITI validation criteria. Nevertheless, much remains to be done considering the frequency of violent confrontations between public authorities, mining companies, and the local population. These confrontations indicate strong deficiencies in accountability and inadequate spaces for peaceful interaction.

Regarding informal actors and possible veto drivers, the analysis has to distinguish between the national and sub-national level. In general, there are no open veto drivers to domestic accountability in Peru, and most stakeholders accept the democratic institutions and regard them as legitimate (Bertelsmann Stiftung, 2009). At the national level, standards and national legislation are followed more often and state institutions are managed with a higher degree of professionalism. At the sub-national level, local power networks of economic and political elites, as well as in some cases local drug mafias and remaining members of the Maoist rebel movement, "Sendero Luminoso," are obstacles to transparency and accountability. The drug mafia in particular, located on the eastern slopes of the Andes, is the most important player weakening local government structures and leading to a lack of accountability and rising local corruption.



Source: Adapted from Morazán and Koch 2010 and Loquai et al. 2010.

3.2 Important policy processes for the emergence of domestic accountability

Peru has never formulated a Poverty Reduction Strategy Paper, but in 2002 brought all relevant stakeholders of the country (public sector, private sector, political parties, and civil society) together to adopt a National Agreement (Acuerdo Nacional). This agreement has been the framework for Peru's long-term course of political and social development until 2010, and important reform processes, such as the law for modernising state management and the laws on decentralisation, have their starting point here. All stakeholders of the Acuerdo Nacional are represented in the "Forum of the National Agreement," ensuring ownership and accountability in its implementation. The Acuerdo Nacional promoted many elements of domestic accountability, especially within two of its four pillars: "democracy and the state of law" and "efficient, transparent and decentralised state." With the national planning institution CEPLAN (Centro Nacional de Planeamiento Estratégico) finally starting to work in 2008, a draft for a new development strategy for Peru, "PlanPeru 2021," has been laid out by CEPLAN and was presented to Congress in April 2010. Currently, this document is being discussed by all stakeholders and has the potential to become the overarching development strategy for Peru.

A key policy process for examining domestic accountability is the budget process. Peru has a sound legal framework for Public Financial Management (PFM) in the Constitution of 1993 and various laws, decrees, and regulations covering all relevant aspects. In 2002, a Law on Transparency and Access to Public Information was adopted, which established the obligation of the state to guarantee the transparency of its actions and to provide transparent budget information to the public. The Integrated Financial Management System (SIAF) plays a key role in this transparent access to budget information. It records all expenditure and revenue operations of the central government, autonomous agencies (e.g. universities), and regional and local governments (EU, World Bank, IADB. 2009 p.30f). The SIAF is coordinated by the MEF and its data are available to the public. Results-based budgeting (Presupuesto por Resultados, PpR) is a relatively new and upcoming instrument to increase accountability in the budget process. PpR is not only relevant for improving the internal monitoring of state agencies but can also be used as a tool to hold government agencies accountable against planned budget results. PpR, which is also coordinated by the MEF, accounted for 13.2% of the national budget in 2009. It is currently implemented in the area of basic social services such as education, health, water, and sanitation. The MEF is the main PFM actor from the government side, formulating, approving, executing and assessing the budget. A key stakeholder in auditing the implementation of the budget is the Supreme Audit Institution (CGR). Among other duties, it oversees the efficient, effective, and economic use of state resources, reviewing financial statements of different stakeholders and forwarding them to Congress for legislative approval. Legally, public entities are obliged to report on actions taken on the recommendations of the CGR within 15 calendar days. Nevertheless, in practice, implementing the recommendations is still a challenging task. CGR interview partners estimated that recommendations for administrative procedures are implemented in 45% of the cases, but recommendations to sanction public officials are implemented in less than 5% of the cases. The internal auditing units (Oficinas de Control Institucional, OCIs) will be reformed at the beginning of 2011. Until now, OCIs at the sub-national levels have been closely linked to local government structures. After a transition period of 3 months (starting in January 2011), all OCIs will be part of the CGR institutional structure with expected positive impacts on their independence from local governments and on their rates of coverage. The latter was a major shortcoming in the past, as only 11% of Peru's municipalities worked with an OCI. The most important role of Congress regarding budget processes is to review audit reports by CGR in its committees and to approve the new budget in the plenary. However, due to the weak role of Parliament in Peru's presidential system, the control function of Congress is limited. The technical capacities of the budget committee are weak and in many cases there is no parliamentary follow-up on the implementation of Congressional recommendations (EU, World Bank, IADB. 2009 p.104). Thanks to SIAF and the Transparency Law, civil society (with NGOs such as DESCO, the Roundtable for the Fight against Poverty [Mesa de Concertación] or Grupo Propuesta Ciudadana) is able to act as a watchdog in the budget process. Participatory budgeting processes have been promoted, with a view to strengthening budget transparency and the accountability of local governments. Finally, regional and local government associations are increasingly entering the political arena to influence the budget process.

One of the most important sector policy processes in recent years has been the process of decentralisation. Implementation of decentralisation measures started in 2002/2003 under the Toledo Government. The Framework for the Modernisation of State Management from 2002 strongly influences decentralisation, implementing administrative reforms on the national, regional, and municipal levels. The Secretariat for Decentralisation within the PCM is a key stakeholder in coordinating the decentralisation process. Congress has established a commission for decentralisation, regionalisation, and modernisation, which has discussed and prepared important law proposals but still remains weak as an actor for accountability. As already mentioned, local government associations are also still relatively weak in actively participating in the decentralisation process or holding government accountable.

4. German support of domestic accountability

German development cooperation focuses on three sectors in Peru:

(1) Democracy, Civil Society, and Public Administration (governance sector)
(2) Water
(3) Sustainable rural development, natural resource management, and climate change

In the governance sector, cooperation is realized within three areas: monitoring and control of state action, transparent and effective public financial management, and state reform towards increased subsidiarity. In the water sector, Germany mainly focuses on improving the legal and administrative framework conditions for urban water management. By supporting the capacity development of local water and sanitation companies, it strengthens the supply-side of water provision. In the rural development sector, the two fields of action are biodiversity conservation and sustainable rural development (BMZ, 2010 p.14f).

While the Agency for International Cooperation (APCI) coordinates technical cooperation given by international donor agencies, the MEF is responsible for financial cooperation as well as for the majority of program-based approaches.

Germany has supported Peru in all three sectors with Sector Budget Support Programs. In the Governance Sector, three sector budget support programs were granted to Peru from 2005 to 2009, with a total financial value of 45 million Euros. They were granted in coordination with the World Bank and had a strong focus on fiscal management. Currently, Germany plans to contribute, in close cooperation with the Inter-American Development Bank (IADB), 35 million Euros to a new sector budget support programme. This programme aims to strengthen reforms in the social sector.
In the water sector, three sector budget supports have been granted to Peru in coordination with other donors such as the IADB, the Swiss development agency SECO or JICA. Finally, in the sector of rural development, a Sector Reform Program, operated in cooperation with the World Bank, is supporting protected area management. Moreover, Germany and the World Bank are planning to provide coordinated budget support programs to foster environmental governance, biodiversity conservation, and protected area management.

Germany is implementing its development cooperation through a broad range of instruments applied by GTZ, CIM, KfW, DED, InWEnt and German NGOs. The most relevant activities to strengthen domestic accountability (systems) in Peru are realised through technical cooperation by GTZ and financial cooperation by KfW. CIM, DED, InWEnt and German NGOs are also involved in strengthening domestic accountability and will be mentioned in the respective parts of the analysis.

4.1 Domestic accountability as a theme in strategy and programme documents

Two strategy and program documents are currently important for German Development Cooperation in Peru: Political-Economic Analysis (2009), and Country Strategy Peru (2010). The focal strategy paper for the governance sector from 2005 is not up-to-date and is currently under revision.

Within the Political-Economic Analysis, domestic accountability as a key word and the objectives of German Development Cooperation are not mentioned. However, important aspects of accountability are discussed within the analysis of key stakeholders and horizontal checks and balances in Peru as well as within the concepts of transparency, participation, state responsibility, conflict resolution, and the fight against corruption. The strength of the paper is its detailed analysis on the use of the veto and on reform forces for development and democratization in Peru. Nevertheless, accountability systems as such are scarcely and only indirectly mentioned.

Finally, domestic accountability and the role of key stakeholders in domestic accountability systems around policy processes (e.g. budget processes) are not analysed directly in the Country Strategy Peru. Important policy processes, such as the National Agreement and decentralisation, are briefly mentioned, as well as the credibility of the state, social conflicts, and Peru's involvement in EITI. But the paper lacks a clear vision on how German development cooperation aims to strengthen domestic accountability (systems) or specific drivers. However, the description of German development cooperation in the governance sector includes the intent to strengthen the capacities of key drivers of accountability such as the CGR and the Ombudsman Office. The three fields of action of the governance sector mentioned in the paper also have a direct link to domestic accountability (although this link is not further analysed), and further cooperation with EITI is envisioned.

Strategy documents from other organizations such as NGOs were not available for this analysis.

4.2 Support to domestic accountability systems around policy processes and issues

4.1.1. Poverty reduction strategies and overarching development policies

Germany's involvement in strengthening accountability within the overarching development process of the National Agreement (Acuerdo Nacional) has been limited. Institutional capacity development has been given to CEPLAN to formulate strategic and operative work plans. This indirectly supported the formation of the new "Plan 2021". It remains to be seen if Plan 2021 is established as the new overarching development strategy for Peru. In any case the current discussion process could provide new windows of opportunity for German development cooperation to support domestic accountability for the implementation of Plan 2021 in the future.

4.1.2. Policy processes in focal sectors of German development co-operation

Within the three sectors that German development cooperation is focused on in Peru, the main focus of analysis lies on the governance sector. This is where German development cooperation supports key stakeholders and relevant policy processes for domestic accountability. Support to the water sector and to rural development involves the strengthening of domestic accountability only indirectly, through increasing accountability, transparency, and participation (e.g. by promoting private sector involvement in local water and sanitation companies to avoid non-transparent influence by local politicians). But in general, domestic accountability systems are not the focus of German support within these two sectors.

In the governance sector, the most relevant activities for domestic accountability have been realised in the budget process and, directly linked to that, the decentralisation process. In general, German development cooperation has focused on a multi-level approach with interventions at the national, regional, and local levels. While KfW has provided financial assistance in the area of fiscal decentralisation through three sector budget supports (DECSAL I to III), GTZ has granted technical assistance for the institutional capacity development of key government stakeholders, for the provision of transparent budget information, and for the strengthening of internal and external audit institutions such as CGR and the OCIs (GTZ, 2009). The development and consolidation of the legal frameworks that underpin domestic accountability has not been a priority of cooperation. As legal frameworks exist already, assistance has focused more on the development of institutional mechanisms for implementing legislation (e.g. regarding the Laws on Transparency or Modernisation of State Management).

Regarding the budget process, GTZ has provided important institutional capacity development to the MEF. Within this cooperation, there has been a focus on the establishment, improvement and implementation of instruments of participatory budget planning, such as guidelines or regulations for sub-national government units. These instruments are important tools for opening up new spaces for participatory planning at the local level. In addition, MEF has been supported in the planning, implementation and monitoring of result-based budgeting (PpR), as it coordinates and monitors different PpR activities and publishes transparent PpR data on its web portal. Financial assistance provided by KfW to MEF through DECSAL I-III has supported reform processes on budget transparency (e.g. the implementation of SIAF, a Single Treasury Account, PpR or fostering the transparency in the tax system). Thus, these PBAs have indirectly supported accountability issues. PCM is currently supported by GTZ to develop and introduce a unified transparency portal where all interested stakeholders, including the public, can access real-time information on government activities (such as information on planning, budget, investments, personnel, suppliers, etc.). The transparency portal is linked to SIAF as well as to the information system of the state supervisory body for public contracting (SEACE) which ensures updated online data. The installation of this portal has become compulsory for all state institutions. Internal and external audit institutions have also been strengthened, mainly by German technical assistance. Training and institutional capacity development were given to CGR to improve its institutional efficiency and effectiveness in carrying out external audits. Examples are the design and implementation of an internal knowledge management system, an electronic information system to improve transparency in building projects (supported by a CIM-expert), and improvement of the system to manage citizens' complaints. Working together with CGR and the decentralized OCIs, the strengthening of ex-ante internal control was also supported. GTZ has supported training material and workshops in budget process in local governments, to strengthen transparent financial management—the implementation of PpR and participatory budgeting. Furthermore, local semi-autonomous tax offices have been strengthened to improve tax collection and their association (ASAT) has been supported to bring own legislative proposals into Congress. Civil society has not been supported directly to strengthen its role in budget processes, but the provision of transparent data indirectly strengthens the accountability role of CSOs.

In summary, German development cooperation has focused within the budget process to support important stakeholders, such as MEF and local governments, in order to strengthen their capacities for transparent public financial management. Furthermore, German technical cooperation has strengthened audit institutions such as CGR and OCIs, helping them to increase their capacities for controlling public budget expenditure. The development of transparent information tools within public administration is seen as a precondition for accountability. Direct support to Congress and CSOs regarding budget processes is currently not the focus of German development cooperation.

Regarding the decentralisation process, apart from fiscal decentralisation issues already discussed, GTZ supports the PCM's Secretariats for Public Administration and for Decentralisation with capacity development measures, especially on monitoring and evaluation. InWEnt has strengthened local government associations through training courses, including aspects such as participation and political influence. However, strengthening accountability (systems), in the real sense, has not been a main objective. Spaces for civil society participation that could lead to stronger accountability have been promoted by DED in particular, with local dialogue forums on participative planning, tourism development, or water management. KfW has fostered local citizen participation within investment projects on local service delivery facilities. These forums (núcleos ejecutores mixtos) are spaces of interaction between the state and local user groups and they have the potential to increase local transparency and the accountability of local administration.

4.1.3. Other policy processes and issues

Some further aspects that directly or indirectly have contributed to strengthen accountability in Peru are: the Ombudsman Office has been supported by GTZ in fighting corruption and in monitoring social conflicts. In particular, supporting the installation of an anti-corruption unit within the Ombudsman Office has strengthened its work on anti-corruption and has consequently had a positive, albeit indirect impact on accountability. GTZ's support for the PCM Secretariat of the Inter-Ministerial Commission on Social Affairs (ST-CIAS) has aimed at increasing result-based planning as a first step towards producing transparent information about social programs. Finally, a BMZ expert, together with World Bank experts, is working with the Ministry of Energy on EITI, and Deutsche Welle has supported media development with training for investigative journalists.

It has been difficult to identify the contributions of German NGOs (especially faith-based organisations) toward strengthening domestic accountability, as information is strongly dispersed. Within the core work of strengthening accountability systems, two activities have been mentioned by interview partners: the Church Development Service (EED) supports the "Grupo Propuesta Ciudadana", a broad alliance of Peruvian NGOs which works, among other topics, on issues of financial control. Another organisation supported by German faith-based NGOs is "Observatorio de la Vigilancia Social"; this organisation also works toward strengthening civil society control of state action.

4.1.4. Complementarities and synergies between different actors and instruments of German development cooperation

Coordination between the different German development agencies improved strongly in 2006, with the introduction of country and sector teams, as well as focal sector coordinators. Interview partners confirmed good and fluent communication and participation in joint 'jour fixes'. Due to the multi-level approach of German development cooperation, there is considerable potential for synergies and complementarities. However, apart from an exchange of information (e.g. on the work with MEF) and some joint missions to avoid duplications and ensure complementarities (e.g. during the DECSAL missions), no formal cooperation could be identified between German development agencies to support domestic accountability in Peru. A positive exception is the joint support of KfW and GTZ to the follow-up of the Public Financial Management Performance Report of 2009. With regard to the work of German NGOs and political foundations, no cooperative activities could be identified.

5. The role of German support in wider efforts to support domestic accountability

Several donors work in Peru on topics that directly or indirectly aim to strengthen domestic accountability. USAID is one of the most important bilateral donors in the sector, working on issues such as the fight against corruption, PpR, access to information and decentralisation. Its main partners are MEF, PCM, CGR and Congress as well as local governments and civil society organizations. The Spanish donor agency, AECID, is currently strengthening the decentralisation process, the monitoring of social programs and the implementation of the 2002 Transparency Law. It works together with PCM, Congress, and the Ombudsman Office. Swiss, Canadian and Belgian development agencies have been supporting decentralisation processes and the Ombudsman Office, as well as PEFA Follow-Up. Important multilateral donors are the European Commission, which is working on public financial management together with MEF and the Ombudsman Office; the World Bank, which supports decentralisation, public financial management, administrative reform and social programs with partners such as MEF, CGR and Congress, and IADB, which dedicates parts of its portfolio to social programs, state modernisation, the implementation of the Transparency Law and to fostering decentralisation (KfW, GTZ, DED, InWEnt, CIM, 2009 p.10). UNDP has started to support CGR in the area of PpR and strengthens PCM in implementing e-government.

Although some improvements have been made in recent years, donor harmonisation in Peru is still at an early stage. An exchange of views is taking place in different sector working groups, which are coordinated by respective line ministries or lead donors (BMZ, 2010 p.12). Germany coordinates the working group on decentralisation and state modernisation, in which all relevant donors participate. Recently, a joint sector analysis has been realised on fiscal decentralisation. According to OECD-GOVNET's study on domestic accountability in Peru, there is only one basket funding initiative currently active in Peru. This initiative provides funding to the Defensoría for a period of five years and is financed by Canada, Spain, Switzerland and Belgium (OECD, 2010, p.8).

Coordination between German development cooperation and other donors has mostly remained within occasional agreements and bilaterally coordinated approaches such as the dialogue with AECID and WB on monitoring issues or with USAID on the strengthening of CGR (GTZ, 2009 p.43). The only formalised cooperation approaches that could be identified have been the joint policy matrices within the DECSAL budget support programs with the World Bank and the joint support of the European Commission, Germany, Switzerland, and Belgium to the PEFA follow-up activities. Considering that most donors work with the same key actors such as Congress, MEF, PCM, CGR or the Ombudsman Office, there is considerable room for improvement in using synergies and complementarities to strengthen domestic accountability systems in Peru. The joint approach, as currently realised within the PEFA Follow-Up process, is a positive sign and an important step forward (see box).

Case of Practice: Supporting the Follow-Up to the PEFA Report

In 2009, the World Bank, IADB, and the European Commission conducted research on the performance of Peru's public financial management systems and practices. The findings and recommendations were discussed with partner agencies and published in the first "Peru Public Financial Management Performance Report" (PEFA-Report). As a consequence of this report, the European Commission invited all donors and relevant partner institutions to discuss the follow-up to the PEFA report's recommendations. A working group was established in September 2009 to coordinate these follow-up activities. This multi-donor PEFA Follow-Up working group is headed by representatives of the MEF. Its objective is to harmonise donor approaches on Public Financial Management (PFM) and to increase donors' responsiveness to specific partner demands on PFM. Together with Belgium and Switzerland, the German development cooperation agencies GTZ and KfW jointly co-finance a group of four experts who work within MEF to provide technical assistance on PEFA follow-up. This expert group reports directly to the multi-donor working group. It will also support the inclusion of other important PFM stakeholders into the process, such as CGR, Congress, or the Superintendence of Tax Administration (SUNAT). The most important opportunity that arises from the PEFA Follow-Up process is the realisation of a better and more harmonised donor approach toward strengthening PFM reforms and thus, accountability in budget processes. MEF, as a key player for PFM reform, has shown high ownership in the process, leading the working group and requesting expert advice. Furthermore, MEF is the entry point for budget support and other PBAs in Peru. Good and transparent cooperation between MEF (as well as other PFM actors) and donors is essential for realising efficient and accountable PBAs in the future. Nevertheless, it will be a challenge to actively involve other stakeholders, such as CGR or Congress, in the process of PFM and budget accountability. If they are not involved, there is a danger that the executive branch's accountability towards donors will be strengthened, instead of strengthening domestic accountability systems.

Conclusion

Despite strong economic development and a relatively stable government under President García, Peru's state institutions are still struggling to modernize. Domestic accountability, especially in terms of "transparency" and "good governance", is an increasingly important issue for many stakeholders as well as in different policy processes. In the budget process in particular, Peru's government has been strived in recent years for increased access to transparent information and increased accountability of its internal procedures. Nevertheless, Peru's executive power is dominant and an effective system of checks and balances, counterweighing government actions, is at an early stage of development. Several important stakeholders for a functioning system of horizontal accountability, such as Congress or the Judiciary, are very weak and are mainly absorbed in their own problems and shortcomings. Vertically, Peru has numerous participatory instruments for citizens, an active civil society and a largely independent press. These are positive preconditions for effectively monitoring state institutions at all levels. However, Peru's decentralisation process is still slow, and ensuring the accountability of local governments remains a challenge.

German development cooperation in Peru supports some of the key processes and stakeholders for domestic accountability. It works on all levels with a focus on process orientation and capacity development, and contributes to the strengthening of different aspects of accountability such as accountable budget processes, fiscal decentralisation or good local governance. Furthermore, partner institutions are supported in developing new instruments for transparent state management such as web tools for budget information or results-oriented budgeting (PpR). The focus of German development cooperation lies on the budget process and on developing accountability at the national level, while accountability in decentralisation processes and the support to non-state actors unfortunately has received only limited attention. A unique feature of German Technical Cooperation compared to other donor agencies, is its demand-driven and problem oriented support. It does not work on a project basis but delivers specific TA packages to key stakeholders of domestic accountability, quickly addressing areas of current need and modifying assistance over time.

The limited formal coordination and cooperation between different implementing agencies, such as KfW, GTZ, InWEnt, the political foundations and German NGOs has hampered German development cooperation in its efforts to effectively strengthen domestic accountability systems in Peru. Although German support to domestic accountability stakeholders and processes is evident and the majority of the interview partners were familiar with the concept, domestic accountability is not specifically mentioned in the different strategy documents. It would be up to the German Ministry for Economic Cooperation and Development to include this concept in the strategic guidelines for Peru.

Harmonising donor approaches in Peru is in general an area where increased efforts are necessary. This also holds true for joint donor approaches to strengthening domestic accountability systems. Until the recently started joint donor support for the PEFA Follow-Up Process (and apart from the basket funding to the Defensoría and some limited bilateral cooperation), there have been very few harmonised and coordinated approaches that use synergies and complementarities to strengthen domestic accountability in Peru. Against this background, the PEFA experience could be a role model for further harmonisation of donor support towards domestic accountability.

In conclusion, German development cooperation is contributing to domestic accountability in Peru. It should continue to support key stakeholders and processes in the future while always keeping the systemic approach to domestic accountability in mind. Weak performers of domestic accountability, such as e.g.

Congress or local governments, as well as processes apart from the budget process (such as decentralisation) should receive adequate attention and support to help strengthen their effectiveness in the system of checks and balances. Realizing formal cooperation between the various implementing agencies of German development cooperation remains as much an open task, as does the issue of increasing donor harmonisation to avoid duplications and respond to partner country needs.

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Annex: List of interviewed persons

Jana Zitzler, *Country-desk for Peru at BMZ in Bonn*; interviewed on 10 June 2010.

Kerstin Sieverdingbeck, *Development Councillor at the German Embassy in Lima*; interviewed on 18 August 2010.

Hartmut Paulsen, *Program Director for the GTZ Program "State Modernization and Democratic Participation"*; interviewed on 25 August 2010.

Volkmar Blum (GTZ), *Focal Sector Coordinator for the governance sector in Peru*; interviewed on 19 August 2010.

Markus Rühling, *KfW Project Manager*; interviewed on 25 August 2010.

Karin Apel, *Coordinator of the DED Program "Democracy, Civil Society and Public Administration"*; interviewed on 27 August 2010.

Fernando Ortega, *Director for the prevention of corruption and internal control, Supreme Audit Institution (CGR)*; interviewed on 19 October 2010.

Hernando Serna, *Director of Projects, Supreme Audit Institution (CGR)*; interviewed on 19 October 2010.

Zoila Navarro, *Advisor to the deputy finance minister, Ministry of Economy and Finance (MEF)*; interviewed on 20 October 2010.

José Carlos Chávez, *Assistant director for the social development budget, Ministry of Economy and Finance (MEF)*; interviewed on 20 October 2010.

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