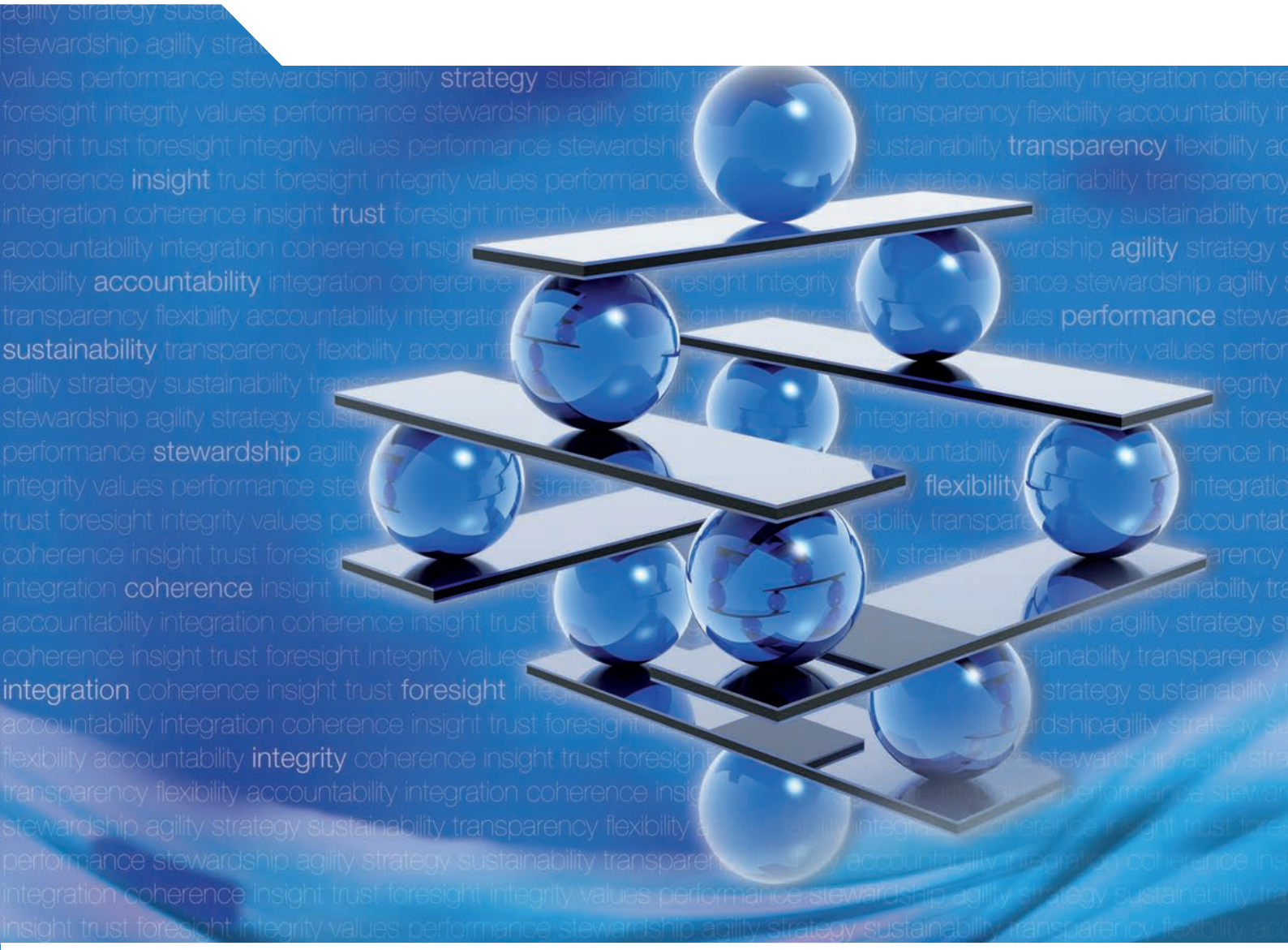
OECD Public Governance Reviews

PERU

INTEGRATED GOVERNANCE FOR INCLUSIVE GROWTH



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OECD Public Governance Reviews: Peru

INTEGRATED GOVERNANCE FOR INCLUSIVE GROWTH

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Foreword

Peru has benefited since 2001 from a period of relative political and economic stability that has enabled millions of Peruvians to overcome poverty and join the ranks of the middle class. In response to important outstanding challenges relating to acute and persistent regional disparities and unequal growth, the national government is pursuing an agenda for more inclusive development that includes a strong focus on public administration reform. Peru is entering a new phase in its pursuit of more effective governance. This represents a unique opportunity to overcome institutional fragmentation and ministerial silos and enable the design, implementation and monitoring of multi-dimensional, multi-year national development strategies. Ultimately, the goal is to enhance institutional and decision-making capacity to achieve tangible improvements in outcomes for citizens and businesses in all regions of the country.

It is against this background that the government of Peru asked the OECD to provide a stocktaking analysis of Peru's public administration policies and programmes within the framework of the 2015-16 OECD-Peru Country Programme. This Public Governance Review assesses key reform themes and advises on capacity issues and possible courses of action to help the government of Peru meet its reform objectives.

This review deepens the analysis undertaken in 2015 through the OECD *Multi-Dimensional Review of Peru* and is complemented by four other country programme reviews of key practice in public governance (on regulatory policy, national territorial development, public sector integrity and public procurement). The recommendations in this volume should thus be read together with those in the other reviews to obtain a more integrated, coherent multi-dimensional picture of the governance reform advice being offered to Peru by the OECD under the country programme.

This review advises Peru to pursue a comprehensive public administration reform agenda that promotes more robust whole-of-government co-ordination led by the centre of government. It recommends linking evidence-based policy making, including Peru's results-based budgeting that is already in place, to national strategic planning, using the results of strategic foresight and horizon scanning in multi-year planning, and harnessing digital government for more open, transparent and clean government, to strengthen decision making, reduce costs and enhance the quality of services to citizens and businesses to improve outcomes. This review commends Peru on its comprehensive human resources management reform agenda, and recommends that it pursue its implementation nationally and at the subnational level of government to strengthen the quality and performance of the central civil service in designing and delivering services effectively and efficiently to citizens and businesses in all regions of the country.

This review is one in a series of OECD Public Governance Reviews that have been carried out in member and non-member countries. It was conducted under the auspices of the OECD Public Governance Committee, supported by the Governance Reviews and Partnerships Division of the OECD Public Governance and Territorial Development

Directorate that conducts assessments of, and advises on, public administration and open government reform strategies in these countries.

The Directorate's mission is to help government at all levels design and implement strategic, evidence-based and innovative policies to strengthen public governance; respond effectively to diverse and disruptive economic, social and environmental challenges; and deliver on government's commitments to citizens. The goal is to support countries in building better government systems to design and implement policies at both the national and regional levels that can lead to sustainable, inclusive economic and social development.

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Acronyms and abbreviations

AMPE	Association of Municipalities of Peru *Asociación de Municipalidades del Perú*
ANGR	National Assembly of Regional Governments *Asamblea Nacional de Gobiernos Regionales*
CAN	High-Level Commission against Corruption
CCL	Lima Chamber of Commerce *Cámara de Comercio de Lima*
CCV	Vice-ministerial Co-ordination Commission
CEPLAN	Centre for National Strategic Planning
CGR	General Comptroller of the Republic
CIGS	Intergovernmental Commission of Health *Comisión Intergubernamental de Salud*
CMS	Monitoring Multi-sector Commission *Comisión Multisectorial de Seguimiento*
CoG	Centre of government
CONFIEP	National Conference of Private Business Institutions *Conferencia Nacional de Instituciones Empresariales Privadas*
EDEP	Evaluation of budget design and execution
FOI	Freedom of information
GDP	Gross domestic product
HIS	High-impact service
HRM	Human resources management
HRO	Human resource office
ICC	Inter-governmental Co-ordination Council *Consejo de Coordinación Intergubernamental*
ICT	Information and communications technology
INEI	National Institute of Statistics and Informatics
LOPE	Organic Law of the Executive Branch
M&E	Monitoring and evaluation
MEF	Ministry of Economy and Finance *Ministerio de Economía y Finanzas*
MIDIS	Ministry of Development and Social Inclusion *Ministerio de Desarrollo e Inclusión Social*

MIMP	Ministry of Women's Affairs and Vulnerable Populations *Ministerio de la Mujer y Poblaciones Vulnerables*
NCD	National Council for Decentralisation *Consejo Nacional para la Descentralización*
NTR	National Territorial Review
OGD	Open government data
OGP	Open Government Partnership
ONGEI	National E-Government and Information Technology Office
PCM	Presidency of the Council of Ministers
PEDN	National Strategic Development Plan *Plan estratégico de desarrollo nacional*
PEN	Peruvian sol (currency)
PESEM	Multi-Year Sectorial Strategic Plan
PMC	Public Managers Corp
PNMGP	Plan for the Implementation of the National Policy on the Modernisation of Public Administration
PpR	*Presupuestos por Resultados*
REMURPE	Network of Rural Municipalities of Peru *Red de Municipalidades Rurales del Perú*
RIA	Regulatory impact assessment
SERVIR	National Civil Service Authority
SGP	Public Management Secretariat *Secretaria de Gestión Pública*
SII	Integrated Information System
SINAPLAN	*Sistema Nacional de Planeamiento Estratégico*

Executive summary

In recent years, the government of Peru has been stepping up efforts to pursue more inclusive national growth through a greater focus on public administration reform, including through the government's decentralisation agenda that aims to give a voice to the country's rural and remote regions. The government also recognises that a more participatory, transparent, open, efficient and effective public sector is essential to meeting citizens' needs successfully.

This Public Governance Review examines these governance reform priorities against the objective of bolstering the state's strategic agility to set, steer and operationalise a national development strategy to pursue inclusive growth and prosperity in all regions of the country. This review advises the government of Peru on ways to address these challenges and has identified priority areas for action to strengthen the quality and efficiency of public institutions in improving outcomes.

Peru's centre of government is focusing on ways to strengthen its capacity to co-ordinate government strategy more effectively. In support of these efforts, Peru should stabilise the Presidency of the Council of Ministers (PCM) as an institution with a clearer role and more political and policy clout, and reinforce its capacity to partner effectively with the Ministry of Economy and Finance (MEF), so that they can jointly lead the design, delivery, monitoring and adjustment of a whole-of-government, multi-year national development strategy that fully reflects the country's fiscal framework, spending capacity and performance impact on outcomes.

Strategic planning could be based more systemically on sound evidence and analysis. While the government is improving the use of evidence in decision making, progress remains slow, notably due to a lack of a whole-of-a-government approach to generating and using evidence, including on performance, and to linking budgeting to planning using a common multi-year time frame. There is a consensus among senior officials and observers on the need to improve the culture of evaluation in the public administration, notably through better training and more widespread dissemination of performance-evaluation methodologies government wide. The government should more effectively integrate its various strategic plans and link them to the national budget, integrate performance monitoring and evaluation for both strategic planning and budget execution, and use strategic foresight and long-term horizon-scanning to inform medium-term planning.

Thirteen years after the launch of the decentralisation process, the legal framework governing decentralisation remains fragmented, complex and difficult to implement. Fiscal decentralisation is an essential, yet limited, dimension in this process; Peru should implement a more deliberate strategy to increase the financial autonomy of regional governments so that they can carry out their mandates properly to improve outcomes. It should reinforce central institutional arrangements to manage the decentralisation process more effectively; improve multi-level co-ordination tools; clarify once and for all the roles and responsibilities of national, regional and local governments; and provide administrative and institutional support to subnational governments.

Effective and efficient management of the civil service is a basic building block of good governance. Peru's new Civil Service Law aims to significantly restructure the management of approximately 600 000 civil servants in 2 500 public institutions across the country in all 3 levels of government. The potential impact of these reforms is significant, given the scope of the issues that the reforms aim to address. Peru should ensure that the reform receives proper support at the political level, including from the incoming government; that the PCM and the MEF co-operate on a governance structure to implement the reform properly; and ensure that over time it is effectively implemented and results are monitored at the subnational level.

Significant progress has been made in establishing the necessary legal and regulatory framework to implement the government's action plan on digital government, but there is a need to move beyond a focus on technology and reinforce the lead agency as a "manager in charge" that can co-ordinate the implementation of the plan government-wide while leading a coherent, integrated approach to digitisation across the country.

Open government and transparency are key elements of an administration that is attentive and responsive to citizen's needs. Frequent staff turnover in the PCM can explain the lack of an overall national open government vision that links the principles of transparency, accountability and participation to Peru's broader public sector reform strategy and its national strategic development planning. The government should build on the successful engagement process that led to the drafting of the first Open Government Partnership Action Plan and define with civil society a robust national open government policy; strengthen the co-ordination role of the PCM in this area while reinforcing its monitoring and evaluation capacity; improve compliance by national institutions to the Access to Information Law, either by creating an oversight body or by assigning this responsibility to an existing institution with a proper mandate and funding; facilitate access to information by developing guidelines for the classification and declassification of information; establish a central function to develop and apply conflict of interest polices; and establish a lead agency to plan, deliver and evaluate ethics training government-wide while ensuring top-level buy-in for this training.

Assessment and recommendations

Introduction

The Republic of Peru is the sixth most populous state in Latin America and the seventh largest economy in the region (OECD, 2014). With an average economic growth rate of 5.3% between 2000 and 2014, the country stands out as one of the most rapidly evolving economies in Latin America, driven by significant reform and impressive economic momentum. This momentum, sustained by a combination of prudent macroeconomic policies, the country's abundant natural resources and thorough structural reforms, has enabled Peru to make impressive socio-economic progress in recent years. These socio-economic advances are all the more outstanding as consecutive military coups, social unrest and recurring economic crises have negatively affected the country's governance frameworks while eroding trust in public institutions.

Such historical factors as the limited resilience of the public sector, strong centralism that prioritised the coastal areas around Lima and the weakness of political parties, have left strong marks on the country's governance frameworks.

Since 2001, in a period of relative political and economic stability, millions of Peruvians have overcome poverty to join the ranks of the middle classes. Levels of human development and of gross domestic product (GDP) per capita are rising while income inequality is falling. Nevertheless, Peru remains a deeply unequal and divided country caught in a middle-income trap. Regional disparities, gender inequality and, in particular, ethno-cultural inequality and poverty, geographically concentrated in the country's Sierra and Selva regions, remain high when compared to OECD indicators and are putting pressure on the Peruvian state to guarantee greater equity and make growth more inclusive.

In response to these challenges, the national government is focusing its reform efforts on pursuing more inclusive growth outcomes through a greater focus on public administration reform, a decentralisation agenda aimed at giving voice to the country's rural and remote regions, and counter-cyclical investment strategies to drive job creation and economic diversification nationally and in the regions, recognising that a participatory, transparent, open, and efficient and effective public sector can play an essential role in achieving inclusive growth objectives and narrowing inequality.

Evidence in OECD countries suggests that governance capacity and quality of government have strong effects on well-being, social trust and political legitimacy (OECD, 2015). Peru's public sector faces considerable challenges that impede it from promoting inclusive growth effectively in all regions of the country. Thus, the government of Peru's key purpose in commissioning this Public Governance Review is to obtain a peer-driven analysis of the strengths and weaknesses of the Peruvian public administration so that it can strengthen its capacity to address socio-economic and territorial challenges successfully and improve outcomes for the citizens of Peru.

In commissioning this review, the government of Peru is thus seeking to harness international experience in how to improve its public governance practices in the six priority thematic areas it has identified: enhancing whole-of-government co-ordination to address multi-dimensional policy challenges; bolstering the evidence base for policy making; strengthening effective multi-level governance for better service delivery and greater interregional equity; increasing citizens' participation and use of open government not only to design and deliver better policies and services, but to build public confidence in the institutions of the state, strengthen the stability and resilience of the government's workforce, and make more effective and efficient use of the potential offered by information and communication technologies (ICTs) and digital government.

This Public Governance Review examines each of these governance challenges against the objective of bolstering the state's strategic agility to set, steer and operationalise a national long-term vision-based strategy to achieve its policy outcomes related to inclusive growth and prosperity in all regions of the country, to measure its performance in achieving results and improving outcomes for people, and to alter course if the anticipated results are not being achieved effectively.

This review constitutes one in a suite of OECD reviews examining various aspects of public governance in Peru under the OECD-Peru Country Programme. Of the 14-odd studies being carried out under the programme, 5 address governance issues, including, in addition to the current review, the Territorial Review, the Regulatory Policy Review, the Integrity Review and the Public Procurement Review. The assessment and recommendations in this review should thus be read as part of this integrated survey of governance practices in Peru; the advice it contains should be understood as part of an integrated continuum of recommendations offered to the government of Peru across these five public governance themes.

In so doing, this review proposes that addressing these challenges and building resilient institutions can ultimately result in more inclusive growth and increased living standards for all Peruvians. This review provides practical advice and international experiences aimed at supporting the government's efforts at tackling the key public governance barriers to inclusive growth.

Peru's centre of government (Chapter 2)

The main institutions of the executive branch (*Poder ejecutivo*) are the President of the Republic and the Council of Ministers, and the Presidency of the Council of Ministers (PCM). The Ministry of Economy and Finance (Ministerio de Economía y Finanzas, MEF), *inter alia* custodian of the country's fiscal framework, and the PCM constitute the core of the centre of government (CoG) in Peru.

The PCM is responsible for the co-ordination of the national and sector policies of the executive. It, after the President, is the government spokesman and co-ordinates the duties of the other ministers. Although not the head of government under the Constitution, the President of the Council of Ministers in practice plays the role of a Prime Minister as co-ordinator of government decision making undertaken by the Council of Ministers. In accordance with the Organic Law on the Executive Branch, the President of the Council of Ministers proposes the objectives of the government within the framework of the general policy of the government. The CoG unit serving the President of the Council of Ministers and the Cabinet constitute the PCM.

The PCM houses a large number of secretariats and commissions, and manages different line agencies and public entities. In addition, it oversees special commissions created to address specific issues. Of the 19 entities attached to the PCM, only about 7 play key CoG functions:

1. The Public Management Secretariat (*Secretaria de Gestión Publica*, SGP) manages the government's public administration modernisation agenda; it is responsible for the co-ordination, monitoring and evaluation of the National Policy on Public Management Modernisation. It proposes standards relating to the structure of government, and issues opinions on the creation, deactivation or merging of public entities.
2. CEPLAN, the Centre for National Strategic Planning, manages the National Strategic Planning System. It formulates the National Strategic Development Plan (*Plan estratégico de desarrollo nacional*, PEDN), by leading multi-sector, inter-agency and intergovernmental co-ordination across the executive's agencies. CEPLAN advises government entities (especially the PCM) and regional and local governments on the definition, monitoring and evaluation of policies and strategic development plans to ensure coherence with the objectives of the National Strategic Development Plan. CEPLAN carries out the monitoring and evaluation of the government's strategic management.
3. SERVIR, the National Civil Service Authority, is responsible for designing and leading the implementation of the government's civil service reform strategy in the central and subnational public administration. This strategy is an integral component of the government's public management modernisation agenda, and aims to professionalise the civil service at all levels of government using the principles of merit and equal opportunities to enhance the government's capacity to attract individuals who are qualified for key positions in each institution.
4. The Co-ordination Secretariat co-ordinates and monitors the implementation of the government's multi-sector policies, programmes and projects. It supports the Secretary General of the PCM in his role as chair of the Co-ordination Committee of Vice-Ministers, the cross-government committee of deputy ministers charged with co-ordinating government policy in support of decision making by the Council of Ministers. The Co-ordination Secretariat also manages relations between the executive and the legislative branch, and with autonomous bodies and other institutions.
5. The Decentralisation Secretariat is responsible for managing the decentralisation process and for co-ordinating and articulating the government's general policy with the regional and local governments.
6. The High-Level Commission against Corruption (CAN) manages Peru's national integrity policy and co-ordinates the regional anti-corruption commissions in each region.
7. The National E-Government and Information Technology Office (ONGEI) manages the National Information Technology System and co-ordinates the implementation of the National Policy on E-Government and Information Technology.

While the PCM works closely with all line ministries, its most frequent partner is the MEF, Peru's other CoG institution. Peru has adopted performance-based budgeting. According to General Law 28411 of the National Budget System,[1] the performance

budget is a public management strategy that links the allocation of resources to measurable outputs and outcomes in favour of the population. Most of the budget is organised in programmes, as budgeting units carried out in fulfilment of functions assigned for society's benefit. This is implemented by the MEF's Director General of the National Budget. In addition, the MEF also reports annually on three-year budget programming allocations, based on the macroeconomic framework and the programming of the different entities of the three levels of government. The latest framework was approved in January 2015.

One of the main functions of the CoG in any country is to transpose the government's strategic priorities into specific plans, and have them fully funded through the budget-setting process. In Peru, this planning initiative (SINAPLAN) is managed by CEPLAN. The main function of SINAPLAN is formulating and disseminating a shared vision of the future of the country in the different levels and sectors of government, through the elaboration and update of the PEDN. The current PEDN was approved in 2011 for a period of ten years, to 2021. It presents a number of national strategic objectives. The plan is not a static one; it is subject to updates and improvements, led by CEPLAN.

The strategic plan is broken down into more detailed sector, regional, local and institutional strategic plans, which use shorter timeframes. Under SINAPLAN, and following the guidelines approved by CEPLAN, monitoring of the objectives, with related indicators, baselines and intermediate objectives is also carried out.

In parallel, the MEF produces the annual national budget, along with a three-year fiscal framework, that allocates the financial resources of the state to the various budget programmes. The budget is result-based. In parallel, the MEF has adopted a system of monitoring and evaluation as a tool to implement performance budgeting.

In fact, the government has articulated several national strategic plans/agendas for the development of Peru, the most relevant being the current PEDN Bicentennial Plan: Peru toward 2010 (*Plan bicentenario: El Perú hacia el 2021* in Spanish). The planning framework also includes the Agenda de Competitividad 2014-2018, the National Plan for Productive Diversification and the National Strategic Export Plan PENX. Yet, these plans are not linked. And while these plans aim to tackle key challenges in Peru, they are not binding, and the strategic objectives included in them are neither prioritised nor co-ordinated in a coherent fashion.

Thus, these planning processes, although not completely isolated, are not linked in any meaningful way; they need to be tightly co-ordinated to ensure that national objectives in the PEDN (and the various other strategic plans) can be met within set timeframes using the public resources that need to be assigned to them in the budget, and that spending performance can be assessed against the strategic outcomes outlined in the PEDN.

More generally, in Peru, horizontal and vertical co-ordination, key to achieving more effective public policies, could be improved, including, for example:

- The ability of CoG institutions to cascade national strategic objectives down through ministries lies in their capacity to provide strategic direction to ministries; however, ministries tend not to set sector-specific strategies in a way that contributes to the pursuit of whole-of-government strategic goals.
- The CoG thus needs to improve effective communication of the national strategy or vision throughout ministries and institutions. The way in which the key CoG

institutions (the PCM and the MEF) co-ordinate between themselves the key messages of the government's National Strategic Plan at all stages of its setting and implementation, and jointly communicate these messages to line ministries, is important in this regard.

- Peru lags behind key benchmark countries in its capacity to co-ordinate public policies effectively. Despite recent efforts to increase dialogue among different institutions, the perception across the government is that CoG-led collaboration and co-ordination among ministries and across the administration is insufficient and an obstacle to effective policy making and implementation.

In recognition of these issues and of ongoing challenges in setting and steering an integrated medium-term national strategy, and in designing and delivering public services effectively, efficiently and transparently, the government adopted in 2013 its national policy on public administration modernisation (Supreme Decree No. 004-PCM),[2] the implementation of which is managed by the SGP.

- The first four-year Plan for the Implementation of the National Policy on the Modernisation of Public Administration (PNMGP) 2013-2016 defines actions and indicators with their respective goals, deadlines and leading institutions responsible for the implementation of the policy's objectives and guidelines, monitoring progress, and evaluating the results and impacts on society.
- The second plan, PNMGP-2021, aims to improve public management, with a focus on results through better service delivery to citizens.

Key elements of the Modernisation Policy include:

- Public policies, strategic plans and operating plans: one of the priorities in the PEDN – development and consolidation of democratic governance and of strong public institutions, led by the CEPLAN – seeks to articulate in a coherent and co-ordinated manner clear government objectives that reflect national priorities. Public policy proposals are to be consistent with these objectives. Public entities, in turn, will need to reflect these objectives in their plans. Thus, the government as a whole ought to be in a position to focus more clearly on serving citizens better.
- Performance budgeting: under the responsibility of the MEF's Budget Directorate, performance-based budgeting is to be implemented to maintain fiscal discipline, improve efficiency in the distribution of resources and the quality of public spending, and ensure the operational effectiveness and efficiency of all entities and agencies.
- Processing, administrative simplification and institutional organisation: under the responsibility of the SGP, the PCM aims gradually to improve public bodies' process management while pursuing administrative simplification and the reduction of red tape to achieve better results for citizens.
- Meritocratic civil service: SERVIR's civil service reform strategy aims to achieve better performance from government officials based on the principles of merit and equal opportunity. The medium-term objective is to professionalise the civil service at all levels of government so as to attract individuals who are qualified for key positions in each institution.
- Information, follow up, evaluation and knowledge management system: the SGP has been mandated to ensure efficient public management by supporting public institutions in building information systems with a monitoring and evaluation process in place as well as adequate knowledge management strategies.

- Open government: conducted by the SGP, the open government strategy aims to ensure that the government is transparent, accountable for its actions and results, and offers channels which encourage active citizen participation while enhancing government accountability.
- Electronic government: managed by the ONGEI, this strategy aims at promoting the intensive use of ICT in public institutions, to improve the information and services offered to citizens.
- Inter-institutional co-ordination: the objective of this strategy is to promote and establish mechanisms for more robust inter-institutional co-ordination that will contribute to the expansion of the performance capacity of government in serving its population.

Thus, the need to improve whole-of-government steering capacity in setting and implementing the national development strategy has been recognised by the government: it is one of the strands of the modernisation strategy. This provides Peru with an important opportunity to pursue a wide range of institutional reforms over the coming years to improve the CoG's decision making as a means to improve the government's capacity to improve outcomes for people.

Centres of government are a cornerstone of public governance systems. They ensure high-quality decision making by government and co-ordinate government actions, and maintain coherence in the design and implementation of government policy. Poor co-ordination and ineffective decision making, present in many public administrations, can mean that the translation of political priorities into government action often fail to deliver results for citizens and business.

Indeed, the CoG needs to play a strong co-ordination role, both internally between the various key secretariats in the PCM and between the PCM and the MEF, in all elements of the modernisation agenda listed above, and transversally across the government to ensure, for instance, that financial, human resources and policy performance information is generated properly, used effectively in informing the next wave of policy and budget setting and implementation, and can be harnessed to inform citizens effectively on progress in achieving development and well-being outcomes for citizens in all regions of the country under the government's open government and transparency and accountability agendas.

In response to the questionnaire sent as part of this review, the government of Peru acknowledged the necessity to strengthen co-ordination mechanisms to implement government priorities in a way that reflects the size and complexity of national policies, as well as the need for a comprehensive institutional framework that guarantees adequate support for decision making, proactive and reactive co-ordination capacity, proper alignment with the National Strategic Development Plan, and for robust monitoring and evaluation systems that contribute effectively to decision making.

To prepare the responses to the questionnaire, the PCM and the MEF worked together to design a mechanism for the management of government priorities, encompassing institutional design functions and procedures as well as an organisational model for the centre of government, and the development of an implementation plan. In its responses, the government proposed the creation of two units:

1. A Strategy Unit in charge of strategic planning, public management, management of crisis, co-ordination of public policies and strategic communications.

2. A Compliance Unit with the goal of monitoring throughout the policy cycle (follow-up and evaluation). In the proposal both units have the duty to co-ordinate with all ministers.

The recommendations below aim to build on the spirit of what the government of Peru proposed in its responses to the OECD questionnaire. In recommending these institutional reforms, the review notes the following:

- Some of the recommendations requiring structural reform could be complex and take time and effort, including through the pursuit of amendments to organic laws and other framework legislation and their requisite consultations. Due consideration to these challenges would therefore need to be reflected in any reform strategy that the government designs in this area.
- In focusing on the PCM as the CoG institution serving the President and the Council of Ministers, the thrust of this advice in no way aims to question (or weaken) the role of the MEF. Without a doubt, the ministry's role has been fundamental in the transformation of Peru. On the contrary, advising to strengthen the co-ordination capacity of the PCM aims to generate in this CoG institution a more robust partner for the MEF so that they can jointly co-ordinate national strategic policy and fiscal design, implementation and performance monitoring to achieve results for citizens and improve inclusive growth outcomes in all regions of the country, while ensuring that if performance information demonstrates that results are, in fact, not being achieved as anticipated, they can jointly advise the President and the Council of Ministers on how best to design and pursue a strategic change of course that more effectively achieves the desired results.

In advising Peru on strengthening CoG co-ordination capacity, this review takes into account the following considerations:

- The Presidency of the Council of Ministers needs greater stability, a clearer institutional make-up free from responsibilities that detract from its primary purposes, and more political and policy clout in the system so that it can focus on leading whole-of-government co-ordination of the design, delivery and performance monitoring of the multi-year National Development Strategy.
  - In the period 2000-15, there were 20 different PCMs, more than one per year on average, usually with commensurate turnover in senior staff reporting to the President of the Council of Ministers.
  - This is hampering adequate fulfilment of the CoG functions, in particular conducting strategic foresight and sustaining the co-ordination of public policies over time.
- With 16 different units and secretariats reporting to the head of the PCM, the PCM is at once too atomized, with too many different mandates, and not focused enough to play its co-ordination role effectively. In most OECD countries, the CoG is not responsible for transactional sector-specific activities: once they are conceived, policy responsibility for their roll-out and management is transferred to the relevant line ministry to preserve the CoG's capacity to lead high-level strategy design, delivery and monitoring properly.
- The PCM needs to be able to co-ordinate closely and on an ongoing basis with the MEF to ensure that the PEDN is clearly linked to the budget and the multi-year fiscal framework, and to ensure that SERVIR's reform agenda can be implemented

effectively with proper funding and workforce wage management. It needs to be able to co-ordinate with line ministries across the central government and with regional and local governments on developing and implementing the PEDN, as well as on all strands of the modernisation agenda, including on decentralisation and performance measurement, so that planning frameworks such as the PEDN and SINAPLAN actually benefit from the contributions of all key public and private actors, and the government's performance story can be developed and communicated in as an integrated a fashion as possible.

- performance information needs to inform the planning process
- strategic objectives, including civil service reform objectives, need to be defined in the context of the fiscal framework, so that the government and citizens understand what is implementable within any given time frame
- integrated communications to Congress and the public needs to be led by the CoG.

These considerations frame the recommendations that follow. Their purpose is to:

- Build capacity in the PCM and enhance its political and policy clout in the system.
- Enhance its capacity to lead co-ordination effectively of the design, implementation and performance monitoring of a national multi-year development strategy that links policy to budgeting, annual sector plans, and gathering and communicating whole-of-government performance information that assesses implementation against results.

Box 0.1. **Recommendations on the centre of government**

Strengthen centre-of-government-led whole-of-government co-ordination

- Strengthen institutional capacity to overcome silos and improve integrated, multi-dimensional whole-of-government strategic planning, implementation and performance monitoring that effectively achieves results in a way that assesses spending decisions against the achievement of strategic policy outcomes:
  - Review the composition and mandates of the secretariats and agencies currently in the PCM with the view to transferring those units not playing a whole-of-government co-ordination function to the relevant line ministries, thereby enabling the PCM to focus its mandate more clearly on the national development strategy, government modernisation, decentralisation and on managing government-wide operations. Any unit not involved in delivering on these mandates should be transferred to a relevant line minister. Any and all resource savings accruing as a result of this exercise should be reallocated to the core CoG units, including CEPLAN, the SGP, the Decentralisation Secretariat, SERVIR, the Co-ordination Secretariat, CAN and ONGEI.
    - In transferring agencies/entities, safeguard/strengthen autonomy where warranted. For example, the National Statistical Agency's autonomy should be confirmed (and if necessary strengthened) to ensure that it is properly resourced and protected from partisan political interference in exercising its mandate.

Box 0.1. **Recommendations on the centre of government** (*continued*)

- Create two new Vice-Minister positions within the PCM reporting directly to the Premier of the PCM to reinforce its strategic role as one of the two institutions making up the CoG:
  - Group strategy-setting units under a Vice-Minister of National Strategy and Public Governance Modernisation.
  - Group strategy implementation/delivery units under a Vice-Minister of Operational Delivery and Results.
  - Create a standing Committee of the Council of Ministers to oversee strategy setting, planning, budgeting, implementation/delivery and performance monitoring to ensure the achievement of national and regional strategic outcomes, to be supported by the two vice-ministers and the MEF. This standing committee could be chaired by the President of the Council of Ministers, with the Minister of the Economy and Finance as vice-chair, and report to the President of the Republic. The Technical Secretariat of this committee could be headed by the PCM.
  - Base the recruitment and appointment of the vice-minister positions on merit; the incumbents should ideally be selected from the top ranks of the civil service.
  - Ensure stability in the structures and in the officials managing them, that lasts beyond a single electoral cycle.

- Communicate these changes widely both internally and externally.

Improve co-operation between the PCM and the MEF

- Reinforce the link between CEPLAN and the Director General of the National Budget to better align the PEDN with the multi-year budget using a common time frame. To this end, a joint commission should be set up to harmonise the medium-term framework as well as to increase the achievement of goals, its monitoring and its diffusion.

Reinforce capacity to integrate the results of long-term strategic foresight into strategic planning

- Despite the latest round of PEDN updating, there remains a need to improve the definition of goals, outcome-oriented indicators, and monitoring and evaluation techniques. Additionally, there is currently no long-term foresight document. The existence of such information is a useful tool to define long-term objectives that surpass the period of the PEDN. Peru might consider increasing the role of the National Agreement (*Acuerdo Nacional*) in this respect (see Chapter 3).

Improve the performance-monitoring framework

- Performance monitoring and audit seem to be split in different units (CEPLAN, MEF, Comptroller General's Office, etc.), which at present do not provide outputs that can be used systematically in the decision-making process. CEPLAN clearly needs to reinforce its evaluation capacities and integrate the work done by the MEF and others in the strategic planning processes. The example of SINERGIA in Colombia could help in this respect (see Chapter 3).

Box 0.1. **Recommendations on the centre of government** (*continued*)

Increase strategic skills capacity of the civil service in the PCM, and ensure stability in staff rotation

- Technical capacities need to be reinforced in the CoG, through training, technical assistance, seminars, etc. This applies to the central administration, but also very much, on a second wave, to the senior civil service of the key regional and local CoG-like units. A continuous learning process should be therefore institutionalised to develop the proper co-ordination, planning and management skills in the PCM (see Chapter 5).

Use the CoG to engage citizens and civil society as key players

- Citizens should be involved in the political life of Peru on a regular basis. This can be done in different ways, such as open government techniques to inform the population, satisfaction surveys to feedback the planning process, workshops and roundtables for stakeholders, enhancing the National Agreement and other initiatives to ensure that the needs and aspirations of all Peruvians are rightly identified and met by the government at all levels (see Chapter 7).

Develop and implement an integrated ongoing government communications strategy

- The CoG should build capacity to inform citizens on a regular basis on efforts and results in government modernisation, strategy implementation, decentralisation and other strands of the national development strategy. This can over time strengthen trust and consolidate democracy gains.
- This strategy should include the use of ICT and digital government tools to engage citizens systematically in Peru's public life.

Strategic planning, and monitoring and evaluation (Chapter 3)

Peru is pursuing improvements to its strategic planning and monitoring and evaluation (M&E) instruments. This presents an important opportunity to strengthen strategic planning as a key policy instrument to set priorities, allocate resources, and set measurable goals and objectives, taking as a starting point clear and relevant baselines.

Just as whole-of-government policy co-ordination led by the centre of government can be strengthened significantly, so too can this general statement be applied to whole-of-government strategic planning. This is particularly valid for the interaction between CEPLAN and the Director General of the National Budget. Indeed, separation and a lack of a common vision shared by these two key bodies are recognised by the authorities as weaknesses that need to be addressed. While the PEDN is conceived using a planning horizon of a decade, financial resources for its implementation are not secured nor integrated into the plan, as budgetary programming is a parallel process led by the MEF using a much shorter period of three years. Peru could also enhance the use of performance information in budget formulation and execution, ensuring that this information is integrated into the PEDN formulation and updating its processes.

These issues at the national level also play out subnationally: there is a need to reinforce the links and the commonality of planning horizons between the PEDN, strategic planning and budgeting at the regional and local levels. Coherence and alignment of objectives in strategic and operational plans need to be ensured at all levels.

It is also important to generate proper robust regional performance data and use it to target resource allocation decisions to improve policy outcomes more effectively on the ground, in particular in the poorest regions and communities of the country.

Peru displays limited capacity for strategic foresight to improve evidence-based decision making. Efforts have been made with the update of the PEDN with objectives for 2016 and 2021that are still pending approval. But strategic foresight refers to the long term (exceeding ten years), including planning scenarios drawn from horizon scanning. CEPLAN should finalise its public consultation and develop a country vision for the periods to 2030 and 2050, and use these to inform successive iterations of the PEDN.

Despite progress made in monitoring and evaluation, and notwithstanding upcoming improvements, there is consensus among senior officials and observers in Peru on the need to improve significantly the culture of evaluation in the public administration, as well as M&E methodologies, dissemination and training. Some of the challenges identified by the authorities themselves include:

- poor recordkeeping and quality of information in the public entities
- lack of experience in defining long-standing national key indicators and analysing data
- insufficient information available at regional and local level, and limited M&E capacities
- insufficient timeliness in information and feedback
- reactive approach, passive corrective actions only driven by regulations
- weak co-ordination among entities, both vertical and horizontal
- insufficient technical capacities and M&E tools.

An interesting example of a comprehensive, integrated, government-wide evaluation tool is the government of Colombia's SINERGIA. For over 20 years Colombia has been developing information management tools to implement performance-based budgeting both nationally and in the regions. Based on the current approach to SINERGIA, the government of Peru could consider:

- strengthening its evaluation capacities and disseminating its results
- promoting stakeholders' and citizens' involvement in the M&E process through surveys to measure public perception of the way the government is achieving national objectives
- increasing the integration and co-ordination of SINAPLAN
- reinforcing its set of performance indicators to better measure policy outputs and outcomes as identified by the PEDN.

Box 0.2. **Recommendations on strategic planning, monitoring and evaluation**

Use the results of strategic foresight and long-term horizon scanning to inform planning

- The government (the PCM and MEF together) could lead the process of identifying a set of long-term strategic objectives for the country supported by an accurate interpretation of emerging challenges, trends and opportunities, along with sound evidence on the achievement of past results, to inform its medium-term strategic objectives and programming in the PEDN.
- Harnessing contributions from all sectors of society, perhaps using existing institutions to facilitate the process (for instance, the National Agreement), could enhance the utility of this exercise.
- Inform the medium-term PEDN with the results of this exercise. Many OECD countries seek to embed shorter term plans within longer term strategic objectives. Bulgaria, the Czech Republic, Poland, Romania and the Slovak Republic are cases in point. The government of Peru could therefore consider reinforcing its current strategic planning instruments by identifying emerging policy challenges and trends over a longer term planning horizon, upon which long-term strategic outcomes could be identified for the country, and use all this to inform its medium-term strategic objectives as articulated in the PEDN.

Integrate strategic planning and outcomes-based management

- Strengthen capacity in the planning offices of SINAPLAN, including the regulatory framework, human resources, training and the information system. In this context, strategic public planning could be reinforced to include the decision-making process of the strategic programmes, more in-depth and with enhanced feedback.
- Improve co-ordination between the budgeting, planning, monitoring and evaluation systems. Indeed, efforts could be deployed to set up an integrated system to strengthen all three areas and the managerial capacity, linking the institutional, sectorial, regional and local processes, and the planning timetables (short, medium and long run).
- Use performance information generated by the outcomes-based management system to enhance transparency and accountability: the engagement of both parliament and citizens could be enhanced in both planning and evaluation by establishing a mechanism to provide information and feedback channels (see Chapter 6).
- Evaluation is not only a tool for administrative control, but an instrument for analysis and feedback for management. In spite of the progress made by Peru in the area of M&E and control, challenges remain regarding the impact and effect of the reports. Moreover, there is a weak application of the liability regime relative to public policy outcomes and ineffective accountability processes. Therefore, Peru may continue to face challenges and additional efforts in enhancing the performance audit function in terms of volume, relevance and timeliness. It should be outcome- rather than output-oriented, looking for efficiency and savings. In addition, feedback could be better used in the decision-making process.

Strengthen links between the strategic plan and the national budget framework

- Ensure ongoing partnership-based co-operation between the PCM/CEPLAN and the MEF to work jointly on an integrated approach to setting and implementing the government's planning and budget frameworks in a co-ordinated fashion.

Box 0.2. **Recommendations on strategic planning, monitoring and evaluation** (*continued*)

- Harmonise medium-term planning horizons so that CEPLAN's PEDN and the MEF's multi-year planning frameworks and time frames converge:
  - The lack of enforcement of the National Development Plan in the long term puts pressure on the strategic policy-making and service delivery capacity due to uncertainty. This could be improved, for instance, by including public hearings, debate and voting in the Congress.
  - Stronger links between CEPLAN and the MEF could enhance internal coherence and reinforce the PCM's whole-of-government mission and wide-scope vision.
  - Notwithstanding the need for institutional operational flexibility, ministries and regional and local governments should specify, year by year, their programmes to achieve the goals identified by CEPLAN in the PEDN, identifying activities and realistic targets.
  - Evaluation reports should be integrated in a summary document and presented in parliament and published. This would enhance transparency and accountability *vis-à-vis* the Peruvian population.
  - In order to enable it to exercise its functions in this area as efficiently as possible, provide CEPLAN with greater human and financial resources.
- Integrate performance measurement/evaluation more deliberately into both strategic planning and budget decision making, and reinforce inter-institutional co-ordination to reduce gaps between strategic planning and budgeting:
  - The existing gap between planning and budgeting is a major challenge that needs to be addressed. Both CEPLAN and the MEF have to work closely to establish stronger co-ordination and links between their processes. Two options could be considered:
    - establish a Joint CEPLAN-Director General of the National Budget Commission
    - extend the mandate of the Inter-ministerial Commission on Economic and Financial Affairs to fiscal issues.
  - The government needs to address the challenge of linking planning and budgeting by promoting evaluation efforts, serving as strategic input to long-term public policies. This could be done within the commission, but also by embedding the M&E information into the planning and budgeting process in a co-ordinated way.
  - Those efforts should also be reflected not only at sectoral level but also at subnational level with a more integrated approach.

Improve government information systems to include performance information

- Information systems could be strengthened to include performance information. One of the most important obstacles for implementing performance-based management is the lack or deficiency of statistics or insufficient information systems in some public institutions. Tools currently used such as RESULTA and the Integrated Information System (SII) are a good basis but should be extended and enlarged as a whole-of-government tool.

Box 0.2. **Recommendations on strategic planning, monitoring and evaluation** (*continued*)

- The role of the National Institute of Statistics and Informatics (INEI) in that context is also crucial and should be reinforced in line with what is recommended in Chapter 2 on the centre of government to assure reliable performance information.

Strengthen sector-based co-ordination

- In order to make better use of M&E information, sector co-ordinators require stronger authority to stimulate discussion and take decisions relative to the attainment of the PEDN's goals for their policy area, based on the reports and results issued by the SII and RESULTA. These reports are not always used in decision making, political control or budget approval.

Strengthen territorial capacity and co-ordination for monitoring and evaluation

- Subnational governments have financial and human resource limitations to carry out strategic planning M&E. In most cases, they only use M&E instruments to meet formal requirements rather than for decision making or to improve performance in their region. This situation is caused in part by weak capacity in regional administrations. Therefore, despite some efforts made by the MEF and CEPLAN, financial and human resources in regional and municipal institutions should be reinforced, perhaps using the *canon* redistribution system (see Chapter 4), in order to strength territorial strategic planning and M&E.
- Effective ongoing co-ordination across levels of government is needed to use performance information more effectively for medium-term planning purposes and to improve policies and service delivery over time in a way that addresses the specific needs of each region and improves the effectiveness of regional public expenditures on improving outcomes for people on the ground.
- CEPLAN and the MEF could jointly support building capacity in regional and local entities in this area through the sharing of expertise and transferring knowledge to subnational administrations. The regional development agencies proposed in Chapter 4 could be the place to consolidate this practice.
- Strengthen internal controls of national expenditures executed in the regions: weakness in the planning of public policies and programming that are implemented regionally limits the efficiency of subnational expenditures. This affects the planning and prioritisation of policies at subnational level.
- Co-ordination between audit or control entities is still a challenge: co-operation is essential to avoid duplication or overlap in audits and assessments. Using international standards, the Comptroller General of the Republic could consider enhancing its leadership role at the subnational level.

Multi-level governance (Chapter 4)

Thirteen years after initiating the decentralisation process, the Peruvian legal framework governing the decentralisation strategy is fragmented, overly complex and difficult to implement. Fiscal decentralisation is an essential dimension in the process; it seeks to increase the financial autonomy of regional governments in fulfilling their responsibilities. The decentralisation of expenditures has deepened as a great number of responsibilities have been assigned to subnational governments, but the decentralisation

of revenue sources appears not to have kept up with the mandates assigned to regional authorities: in 2008 this share rose to only 12.3% of total government revenues, with the local governments collecting most of these. Such a low share of own revenues implies a great reliance on intergovernmental transfers.

The current royalty transfer regime does not appear to be designed to address specific needs on the ground in each region and they appear to be made outside of any kind of intergovernmental agreement or contractual arrangement that defines policy objectives to be pursued with the transferred resources and outcomes to be achieved with these public investments. They do not appear to be linked to the local or regional development plans either.

In this connection, Colombia's main vertical co-ordination instrument for flowing royalty investments to departments and municipalities is the *contrato* plan, modelled on the French *contrat de plan État-région* (CPER), an OECD good practice. The *contrato* plan promotes co-ordination between the central government and one or more subnational entities and could be of interest to Peru.

Multi-level governance challenges tend to be country-specific. In the case of Peru, many challenges remain: the Intergovernmental Co-ordination Council (Consejo de Coordinación Intergubernamental, ICC) was conceived as the highest level co-ordinating forum between the three administrative levels, but is still inactive. Sector-specific intergovernmental commissions, while somewhat more active, are not registering homogenous progress: work is still uneven and only one-third of them are considered by the PCM's Decentralisation Secretariat to be functional: health, labour and education. In the same vein, intergovernmental policy co-ordination at the subnational level through the regional and local co-ordination councils are not achieving their full potential. Evidence thus suggests that alignment between local and regional planning is still weak.

In the context of acute and persistent regional disparities, inter-municipal and regional co-operation under the figure of *mancomunidades* have the potential to provide for more efficient ways of communication to overcome institutional bottlenecks affecting multi-level governance in Peru. Their contribution to more efficient public governance is pursued through implementing projects, promoting local development, empowering initiatives for citizens' participation and improving the quality of services to the population. In this manner, various other initiatives of a similar character have proven fruitful in numerous Latin American countries.

Box 0.3. **Recommendations on multi-level governance**

Reinforce institutional arrangements to deliver effective decentralised governance

- Strengthen capacity to implement decentralisation in the structures within the PCM by reinforcing the human and financial resources of the Decentralisation Secretariat so that it can work closely with regional and local governments on designing and implementing decentralisation strategic policy and assessing and monitoring progress, and feed this information into CEPLAN and the MEF.
- Strengthen the working relationships between the Decentralisation Secretariat, the SGP, CEPLAN and SERVIR so that all are working to achieve the same strategic decentralisation objectives, and to mainstream decentralisation within the National Strategic Development Plan (PEDN). As recommended in Chapter 2, these units could work together for a Vice Minister of National Strategy and Public Administration Reform, responsible for integrating all strands of national development strategy, including decentralisation and regional development, inclusive growth, and public administration reform at the subnational levels, into the PEDN.

Box 0.3. **Recommendations on multi-level governance** (*continued*)

- Strengthen the working relationship on decentralisation with the MEF, to ensure that performance budgeting is implemented at the subnational level and that subnational expenditure performance information is fed back into PEDN planning.
- Over time, consider creating, separate from the Decentralisation Secretariat which would remain in the PCM and retain strategic policy responsibility for decentralisation, a Ministry for Regional Development, with operational responsibility to work with regional and local governments to implement decentralisation effectively in all regions of the country, including managing intergovernmental arrangements (including contracts – see below) to deliver co-ordinated fiscal resources to subnational governments and help monitor expenditure performance against the achievement of results for regional development, regional disparity reduction and improved outcomes for people in each region of Peru.
- Conduct a robust regulatory stock review of all laws, rules and regulations adopted to implement decentralisation since 2002 to eliminate overlap, duplication and dysfunctions to achieve greater clarity, transparency and accountability for decentralisation.
- Finalise the clarification of roles and responsibilities of national, regional and local governments. This could include the identification of services to be provided by each level of government, the active participation of line ministries, and the opinion of regional and local governments with which competencies are shared.
- Publish a comprehensive list of the distribution of competencies. As stated in Chapter 6 on digital government, there is a clear need for more and better information addressed to citizens.
  - The Decentralisation Secretariat could publish user-friendly information regarding the decentralisation process and delimitation of powers and competencies among the different levels of the administration.
  - Go further than the current annual report on decentralisation by developing performance indicators on decentralisation and on the impact of decentralisation on improving the standards and quality of services delivered to citizens, on their impact in improving outcomes for people in each region, and on reducing regional disparities across the country.

Strengthen the fiscal autonomy of subnational governments and implement equalisation grants

- Formulate multi-level co-ordination instruments, including intergovernmental contracts, to deliver the *canon* resources – a contractual framework that includes purpose, objectives, results/outcomes sought, and a monitoring and evaluation framework, and, perhaps using Colombia as an example, make sure that the *canon* funding can be co-ordinated with sector-based national budget spending being decentralised.
- Promote greater integration of funding from the FONCOMUN and the *canon* to achieve clear, defined policy outcomes that are specific to each region, have been identified in full consultation with regional authorities (using existing institutional arrangements that were established for this purpose), and that are fully integrated into the local, regional and national development strategies.
- Mandate the MEF and CEPLAN to strengthen municipal government fiscal capacity and administrative capacity for fiscal management and collecting local taxes. Local governments could also raise citizens' awareness for paying taxes on time so as to deliver better basic public services.
- Encourage interregional associations of municipalities and other subnational entities to contribute more effectively to national strategy-setting and implementation, achieve better economies of scale in designing and delivering better services for less cost that improve outcomes for people, and monitor performance (see below).

Box 0.3. **Recommendations on multi-level governance** (*continued*)

Improve capacity to address co-ordination challenges between levels of government

- Institutionalise mechanisms for intergovernmental co-ordination of the decentralisation process by implementing a more flexible and adapted structure and ensuring it is fully supported by the structures in the PCM and on sector issues by line ministries. This could include strengthening the role and capacity of the Intergovernmental Co-ordination Council, which could imply establishing a smaller number of participants, a more flexible system for taking decisions (maybe through consensus and non-binding decisions or recommendations). One option could be to split the Intergovernmental Co-ordination Council into two sections, one dedicated to regional governments and the other to local governments as in some OECD countries (see Box 4.3 in Chapter 4).
  - In the case of sector-based co-ordination bodies, the PCM should play a lead role by promoting the creation of dynamic sector-based commissions as well as ensuring a whole-of-a government and integrated approach.
  - Ensure that regional and local councils can contribute substantially to national strategy-setting and implementation through effective multi-level governance.
  - Ensure that CEPLAN works together with the Decentralisation Secretariat and the Ministry of Economy and Finance to articulate common planning processes of national, regional and local governments (see above), and to design and implement a basic single framework for subnational management linked to performance-based management.
  - Implement an outcomes-based performance monitoring system for decentralisation and subnational management and administration. This system should be aligned to an integrated CoG monitoring and evaluation system. As outlined in Chapter 3, budgetary programmes should be aligned at the three levels of government.
  - Strengthen municipal and regional government associations, including the National Assembly of Regional Governments, to achieve its goal of "driving, developing, deepening and defending the decentralisation process to solidify the leadership role of the country's regional governments".
- Reinforce central and regional co-ordination capacity by establishing institutional support in each region (for example, through a regional development agency in each region or supporting a cluster of regions), composed of civil servants from the national and regional governments, to facilitate a partnership-based approach to regional development and improve co-ordination at the regional level between the region and the national government:
  - Mandate these institutions to support the national and regional governments in addressing regional challenges by generating sound evidence on these challenges and by enabling more robust intergovernmental co-operation to address them; to design, implement and monitor strategies and key projects on the ground; and to engage in interregional co-operation and co-ordination on common projects and the sharing of experience across regions.
  - Mandate these institutions to report simultaneously to the PCM (CEPLAN and the DS), the MEF and the regional government(s) and, in time, if created, to the Ministry of Regional Development.

Box 0.3. **Recommendations on multi-level governance** (*continued*)

Strengthen interface capacity in regional governments to co-ordinate with other governments

- Just as the central government possesses centre-of-government institutional arrangements to lead cross-governmental and intergovernmental co-ordination of national strategic and fiscal policy setting and implementation, so too should regional governments possess their own "CoG" institution to act as a focal point to engage effectively with the other levels of government and lead implementation of policy, fiscal and administrative initiatives (from regional development plans and budget execution to co-ordinating regional investments (e.g. infrastructure, health and education) and policies on HRM, digital government, transparency, integrity and regulatory affairs) in the region.
- Consider reinforcing capacity in the administrative unit(s) supporting the Governor to enable these functions to be carried out effectively in regional governments and to reinforce interface capacity in regional governments to engage effectively with local and national administrations.

Strengthen monitoring, evaluation and accountability tools in subnational governments

- Build on the Monitoring and Evaluation Plan of the Sectorial Competences transferred to regional and local governments, with a focus on decentralised management of public utilities, to launch a robust quantitative and qualitative assessment of the impact of decentralisation and the transfer of competencies at regional and local level on improving outcomes for people and reducing inequality and regional disparities.
- In addition to the existing tools such as the Decentralisation Secretariat on the administrative dimension and RESULTA on the financial dimension, there should be a joint effort between the national and regional levels to regularly publish, and in a "user-friendly format", performance information on decentralisation and effective service delivery.
- Strengthen transparency and accountability at the regional and local levels by, for example, ensuring that local external control institutions have sufficient capacity to carry out their duties, that human resources are appointed using the merit principle, and that they can carry out their duties free from political interference.
- Bolster efforts in this area by the Decentralisation Secretariat as well as from control bodies such as the Comptroller General's Office. Few accountability mechanisms for regional and local authorities have been institutionalised: hence, monitor decentralisation using the various existing control, supervisory and oversight systems (including government agencies and civic groups).
- Strengthen how existing regional planning instruments (such as the concerted regional development plans) are operationalised by developing mechanisms to better link them with budgeting decisions and with national planning and policy development processes.

Strengthen local democracy, capacity building and human resources at subnational level

- Develop and extend the national Law on Civil Service Reform to the regional and local levels.
- Reinforce capacity building and training at subnational level to assure a well-prepared, competent and efficient civil service at the local level.
- Bridge the gap between the unequal level of training and knowledge at the local level by assuring the presence of the state in the most underprivileged areas of the country and in the area of training.
- As developed in the forthcoming OECD *Integrity Review of Peru* and in order to effectively tackle corruption at subnational levels, Peru could consider working on ensuring that national integrity policies are implemented at these levels. This requires strengthening the overall institutional capacity at the local and regional levels, especially in the areas related to political finance and its oversight, public ethics and managing conflict of interests, and internal control and risk management.

Strategic human resources management in the government of Peru (Chapter 5)

A stable and professional civil service is fundamental to government performance in all areas. Hence, the laws, policies and processes of civil service management can greatly affect a country's ability to implement government reform successfully, achieve strategic objectives and improve service delivery to citizens. Civil service management practices that ensure merit, professionalism, stability and continuity in staffing provide the foundations for an efficient and effective public sector that can promote strong, sustainable and inclusive growth. A stable and professional civil service is a precondition for ensuring that citizens are treated fairly and equitably across the country, regardless of regional, ethnic or political affiliation. Professionalism in the civil service emphasises merit and competence. These values contribute to justice and continuity in the public administration, which in turn can determine how much trust citizens place in their government and the services it provides.

The management of Peru's civil service is a basic building block of effective governance. The government fully recognises this: currently, its ambitious reform agenda is being implemented through a new Civil Service Law, which aims to restructure significantly the management of approximately 600 000 civil servants in 2 500 public institutions located across the country at all 3 levels of government.

The potential impact of these reforms is significant, given the scope of the issues that the reforms aim to address. Currently, civil service management is Peru is plagued by a complex multitude of employment regulations, payment criteria and human resource management (HRM) practices. The workforce has been growing fast while no workforce planning process appears to limit this growth or align it to government priorities. Furthermore, the Peruvian civil service appears to suffer from a high degree of instability at high levels, which affects the capacity and continuity needed to implement reforms and improve services. In many of the interviews conducted by the OECD during the fact-finding mission for this review, counterparts in all areas of public service modernisation discussed the perceived difficulty in working across ministries with teams that were frequently changing. It was often suggested that this high level of churn in the system negatively impacts the ability of the Peruvian civil service to develop new services or improve existing ones. In this way, the low capacity of Peru's civil service management directly impacts the quality of services to citizens.

Peru has taken commendable steps towards addressing this situation. The new Civil Service Law, once implemented, stands to greatly enhance civil service management capacity, as well as implementing and reinforcing the need for a merit-based civil service at all levels of the civil service. Systematic adherence to basic merit-based processes and standards in key areas such as recruitment, promotion and compensation in turn creates scope to develop strategic HRM based on competencies, performance and more flexible management of the public sector workforce according to the evolving needs of the government.

SERVIR is charged with overseeing the design and implementation of Peru's ambitious civil service reforms. These reforms are a foundational element of Peru's public management modernisation process and are guided by the following objectives:

- create a results-oriented civil service focused on citizens
- professionalise the civil service through meritocratic approaches to recruitment, retention and job progression

- gradually achieve a consolidated single employment framework, harmonising the terms of employment, compensation, responsibilities and rights of civil servants
- consolidate the state's HRM system and its key actors; have instruments and modern management techniques and strengthen HR offices.

Peru faces particular administrative challenges in the area of workforce stability, whether in the national or subnational public administration, as churn of the senior leadership cadre appears to generate instability throughout the civil service: senior managers appear to change their teams and responsibilities at a rate that impedes long-term progress and reform continuity. While a controlled and structured mobility of senior leadership is a goal of many OECD countries, this is done within a structured development framework, not at the will of politicians. OECD data confirms that in only 13 of 34 member countries, the top level of the civil service is systematically replaced after an election. Below the second level of leadership, only three OECD countries see significant change. Comparative numbers are unavailable for Peru, but discussions with a range of interlocutors in national, regional and local governments suggest that turnover of managers in the civil service is a fundamental challenge that goes below the top level leadership and whose impact is felt beyond that of the election cycle.

This is in part due to the fact that the large majority (more than 70% of those at the first and second management level below the minister) of Peru's senior managers are "positions of trust," appointed by the political level without a transparent, merit-oriented process and without any guarantees of stability in their employment. This generates a culture of loyalty to the political level as opposed to a professionalised public management cadre working in the general public interest with the skills necessary to drive progress in Peru's public services. A 2008 SERVIR study on the state of public management in the country identified the following issues:

- poor management capacity to perform the managerial function
- inadequate organisation, inclusion and administration of managers
- unappealing managerial function to attract and retain talent
- limited and poor assessment of managers
- unstable context linked to poor political-institutional support.

Peru's civil service reforms aim to address these issues and signal an important commitment to the principles of good governance espoused by OECD countries. Once implemented, the new Civil Service Law will support governance reform in all areas by increasing the capacity and stability of the civil service, particularly at senior levels. However, implementing the law will be complex, not only because of the breadth of reforms the law includes, but also because of the scope of the law – which covers over 2 500 public entities at the national, regional and local levels. This will be a very significant challenge for SERVIR – and one that it cannot be expected to implement alone.

The good news is that the reforms embedded in the new Civil Service Law put Peru on a path that follows good practice in OECD countries. The themes of the reforms are common across OECD countries, which have built a great deal of experience through trial and error which can be leveraged to support Peru. The big challenge Peru will face in the coming years will be the implementation of the reform in a way that ensures consistency of application while taking into account the need for flexibility, particularly at the

subnational levels of government. This is no easy task, and will test the country's ability to sustain a reform through to its full implementation.

A comparison of Peru's current reform initiatives with OECD experience suggests that Peru could consider the following recommendations to build a stable and professional civil service in Peru.

Box 0.4. **Recommendations on human resource management**

Ensure political support for the implementation of Law 35007 (the new Civil Service Law)

- Following the 2016 Presidential and legislative elections, it is important that the incoming government understand the deep value that these reforms have for the country and sustain them with all their force.
  - This implies publicly recognising the importance of continuing the reforms resourcing SERVIR to adequately design, support and monitor the implementation process, and ensure power to monitor progress and enforce compliance with the new legislation and regulations.

Design a governance structure to implement the reforms

- An ideal governance structure should concentrate accountability and responsibility for oversight and success of the reforms with a particular minister.
  - In this connection, SERVIR could fall within the remit of the Vice-Minister of Strategy and Modernisation, a position that Chapter 2 recommends creating in the PCM to cluster PCM entities responsible for national strategy-setting, including CEPLAN, the SGP and the Decentralisation Secretariat.
  - Of course, SERVIR's institutional autonomy would need to be preserved under this reform. The point of recommending it, though, is to ensure that the civil service reform agenda is mainstreamed within the government's main national strategic development planning and is fully reflected in the co-ordination efforts between CEPLAN, the SGP, the Decentralisation Secretariat and the MEF so that the reform agenda is funded properly and its impact is fully assessed as part of integrated national strategy and budget performance monitoring for results at all levels of the public administration, including whether improvements to civil service capacity, professionalism, merit and competence at the subnational level are, in fact, leading to better service design and delivery that improve outcomes for citizens and businesses.
- SERVIR should be supported by a management board to engage senior managers as allies in the process, and assign collective responsibility for successful implementation. A close relationship will need to be maintained between SERVIR and the MEF to oversee effective resource allocation to implementation of the law. At the human resource office (HRO) level, networks can help to support and sustain implementation.

Continue to pay special attention to the development and management of senior managers

- This could include special arrangements for more centralised recruitment and selection of senior managers, that could be located within SERVIR as the system is initially implemented.

Box 0.4. **Recommendations on human resource management** (*continued*)

- In parallel, SERVIR should work with entities and their HROs to build their capacity to run their own merit competitions. Once entities have achieved a certain threshold of capacity that meets the criteria established by SERVIR, and have a proven track record in managing merit competitions at the career level, SERVIR should certify them to begin their own recruitment processes and monitor closely for compliance.
- This could be supported by reinforcing the senior managers' competency framework as a management tool, linking it to development and performance management. Performance indicators could be embedded within the three-year contract positions for senior managers to stress performance orientation and accountability.
- SERVIR could play a key role in the performance assessment process of senior managers so as to ensure meritocracy and limit the politicisation of non-political appointees.

Communicate often and build support networks

- The ultimate success of the reform will depend on each civil servant deciding that it is in his/her own best interest to join the new civil service regime. This means that ultimately civil servants must see SERVIR and the reform it represents as a positive entity deserving of their trust.
  - Clear and honest information based on civil service values and public impact need to be made available, and networks of supporters identified for their dissemination.
  - Likewise, communications outward to the general public are essential to show the progress of the reform, to ensure sustained support and public pressure for the reforms, and to help improve the image of the state and its civil servants in the eyes of the public.

Reinforce the need for a performance-oriented civil service

- Reinforce the role of performance assessments in achieving a performance-oriented civil service. The new performance management regime needs to be carefully designed with a high level of transparency to promote effectiveness and confidence.
  - The new system could be implemented in a phased approach, with awards and sanctions implemented in later stages once employees and managers alike have gotten used to using the tools.
  - Successful implementation will also require a significant investment in the training of all public managers who conduct performance assessments and use the performance tools. This can help to ensure an even and consistent implementation, and effective use of the tools.

Design tools and processes for effective monitoring and evaluation

- These could include internal monitoring carried out by SERVIR, with clear and transparent indicators that are collected and shared publicly. This can help to sustain momentum for the reform over the medium term. Indicators should be collected and updated on a regular basis (e.g. quarterly) and could be used to convene the network of HROs to discuss progress.

Box 0.4. **Recommendations on human resource management** (*continued*)

- This could be complemented by an external assessment of the implementation of the legislation. An annual report to the parliament on the implementation process could help to ensure that the reform maintains its political visibility while also applying pressure to show progress and results.
- A larger review in 2020 should also consider next steps in HRM reform for Peru's civil service. These processes need to be carefully co-ordinated with the MEF, and the DG of public revenue should participate in evaluation and review processes.

Use performance assessment information to regularly adjust policies, processes and tools

Build capacity and skills for iterative and flexible design approaches

- Emphasise learning by doing, adjusting on the fly.
  - These innovation methods could help to test and prototype tools, such as the new performance management systems, on small groups before expanding them to the wider civil service.
  - This could also provide a useful opportunity to engage reform supporters and reform sceptics (e.g. union representatives) early in the design process, giving them an opportunity to actively contribute to the building of a new civil service in Peru.
  - SERVIR could also thoroughly evaluate the experience of the first group of entities to undergo the transformation and use this information to revisit the process, tools and timelines, and improve the chances of reform success.

Ensure the relevance and applicability of reforms at the local level

- The challenges of implementing the reforms in regions and municipalities stands to increase significantly due to geographical distance, mistrust in some regions of the central government, and potentially greater use of informal employment practices in some regions and municipalities. There is indication that SERVIR's communications strategies have not reached the local level to the same extent as they have ministries in Lima, and this may present a challenge to ensure that actors at this level are aware of the benefits of the reform and are willing to participate.
  - Consider specific strategies to monitor implementation and impact. A specific implementation, monitoring and communications strategy for these areas will be required, which emphasises SERVIR's willingness to adapt aspects of the reform for small (20 employees and less) governments at local levels (as is provided for in the law).
  - Engage key representatives from local and regional levels early. Using their input to carefully review the processes and adjust them for local use can help to increase buy-in and trust. By bringing municipal governments into this process and empowering them to input into the design of their tools, their confidence in the reforms will likely grow.
  - It would be advisable to establish regional offices of SERVIR, and look at developing regional networks to support implementation and monitor progress.

Integrating digital government into public sector modernisation (Chapter 6)

The general approach of the government of Peru to digital government is to foster digital transformation through legal instruments and technology deployment. Significant progress has been made in establishing the necessary legal and regulatory framework to implement the government's action plan: indeed this review deems the framework to compare favourably with international practices across OECD countries, in particular in such areas as digital signature and electronic certificates, data protection, transparency and interoperability. Yet, the consequence of adopting a rule-making, legalistic and technical approach to the development of digital government may be hindering the achievement of more strategic, integrated outcomes as the government pursues its modernisation efforts in this area.

In order for Peru to benefit from the use of digital technologies, there is a need to opt for an explicit role for a "leading" organisation and a "manager in charge" to be associated with digital government throughout the whole process. This would reflect the *OECD Recommendation on Digital Government Strategies* which advises governments "to provide an institution formally responsible for digital government co-ordination with the mechanisms to align overall strategic choices on investments in digital technologies with technological deployment in various policy areas."

It is clear that the central government in Peru engages extensively in setting conditions for the other levels of government and drives mainly ad hoc developments in specific areas with a limited capacity to lead and co-ordinate government-wide strategy setting and implementation in the area of digital government, whether nationally or subnationally, consistent with the review's findings with respect to CoG-led steering capacity more generally. Indeed, since budgetary and policy decisions are not closely linked, inconsistencies crop up between the policy and legal intent of the central co-ordination body and the actual financial allocations for project development.

The absence of a "manager in charge", a Chief Information Officer for instance, can thus represent a serious limitation to leading the design and implementation of a coherent, whole-of-government integrated national digital strategy as part of Peru's public administration reform agenda. Hence, the Peruvian government needs to address the challenge of designing and adopting a long-term sustainable leadership, governance and management model to design and implement digital government.

The Peruvian government has recognised the potential value of digitisation to provide better opportunities equally to all its citizens and concentrates on fighting the "digital divide". At the same time, digital statistics in Peru on the medium term are promising. The youth literacy rate has increased to 96-98%, which is closely linked to education and the expected digital literacy level; about 98.8% of the population has a mobile phone, with Internet usage catching up to between 26.2% and 40% (2012). In the past few years, trends show that both Internet access and smartphone usage has increased in the country. Based on estimates from eMarketer, "Peru is home to the fifth-biggest Internet user market in Latin America, and will boast the fifth-fastest Internet user growth worldwide this year, trailing India, the Philippines, Indonesia and South Africa."

While there are promising signs that the Peruvian government is building a strategy around use and facilitation of reuse of open data, "buy-in" appears limited when it comes to potential contributors to value creation (e.g. through data reuse). The efforts from the government to "raise awareness" seem reserved for highly developed regions, e.g. cities with modern digital services such as in Lima. These initial efforts are nevertheless showing

that the government and key stakeholders of the open data ecosystem have embarked on a process of co-operation. Still, more focus could be given to collaboration with the private sector.

Thus, whole-of-government institutional leadership, steering and co-ordination capacity could be strengthened in the area of digital government, including with respect to knowledge acquisition related to data management and open data policy. Data is yet to be seen as a strategic asset to support improved planning and decision making within the administration, as well as public engagement in policy making and value creation.

In light of this, the government could consider the following recommendations to design and implement digital government in a way that can help advance the government's strategic objectives of stimulating national and regional growth, development and well-being, addressing regional disparities and meeting the service needs of all citizens, regardless of where they live.

Box 0.5. **Recommendations on digital government**

Set digital government at the heart of the public sector reform

- Adopt a broader concept of digital government than e-government and implement it by reformulating the current e-government strategy to integrate the use of digital government as a key strategic tool or enabler in the government's pursuit of its overall public sector reform agenda. This would imply identifying complementarities, and ensuring alignment and mutual reinforcement between the digital government strategy and other relevant sector strategies at the national and local levels of government.
- Engage regularly and strategically with the relevant stakeholders, and all levels of government, to capture input to the further development of the digital government strategy that should establish a coherent approach towards public sector digitisation and related priorities in the various sectors and across levels of government.
- Embed a vision in the strategy that builds on a "long-term consensus" of all relevant stakeholders and supported by a coherent action plan shared across sectors and levels of government. This would help create collective commitment and facilitate a shift from isolated developments and pilot projects to joint efforts or initiatives that can be scaled up.

Secure leadership for more robust governance, management and planning

- Revisit the governance framework to ensure high-level commitment and support to the digital strategy. To this end, the government could create a stable institutional framework with a senior position formally responsible for setting the strategic direction for digital government (e.g. a CIO), building on the existing National e-Government and Information Technology Office in the PCM, and for setting clear roles and responsibilities for digital government co-ordination (including a mechanism to align overall strategic choices on investments in digital technologies with technological deployment in various policy areas supporting overall policy outcomes).
  - The position needs to be of a sufficiently high level to exert political and policy influence (e.g. a secretary general, on par with the heads of CEPLAN, the SGP, etc.), and be located in the centre of government (see below).
  - The CIO needs to be able to count on co-ordination mechanisms to work in close and ongoing co-operation with all of the other units of the PCM responsible for aspects of governance reform and national development strategy (e.g. CEPLAN, Secretariat for Public Governance Reform, SERVIR, Decentralisation Secretariat).

Box 0.5. **Recommendations on digital government** (*continued*)

- The right space and value has to be given to the National Advisory Council on Statistics (Consejo Consultivo Nacional de Estadística e Informática), gathering representatives from the civil society, the private sector and the public sector. It can play a key role in relation to the legitimacy, prioritisation and responsiveness of concrete actions undertaken to implement the digital government policy. For its functioning to be efficient, it would be necessary to set clear agendas with defined objectives and ensure good representativeness of the private sector and of civil society. This can be used to set multi-sector objectives and also help to better articulate the interaction across levels of government.

- Build an effective organisational and financial structure for digital government to mainstream the digital strategy within the government's main multi-year development and modernisation plans to provide the methodological support for managing digital government projects across levels of government, linking policy and funding, and establishing efficient and effective implementation and performance monitoring processes. This capacity could be built around the existing National e-Government and Information Technology Office and report to the CIO within the PCM.
  - ONGEI, thus transformed into a true CIO, could be included in the cluster of secretariats and entities reporting to the Vice-Minister of National Strategy and Public Administration Modernisation, if this position is created as recommended in Chapter 2 on the centre of government.
  - Define and implement a robust evaluation and measurement framework for the digital government strategy that includes medium- and long-term strategic outcomes and their requisite performance targets and indicators for better service delivery that improve results for people regardless of where they live in the country, and immediate-term outputs and results indicators for project performance at all levels of government, which could ensure efficient project management and overview mechanisms, with the availability at any time of a comprehensive picture of ongoing digital initiatives to avoid duplication of systems and datasets.
- Identify funding mechanisms (e.g. FONCOMUN) to ensure adequate investments in the development of the right level of digital skills across the administration across the country.
- Procure digital technologies based on an assessment of the existing assets and inter-agency agreements to increase efficiency, support innovation and best sustain objectives stated in the overall public sector modernisation agenda.

Pursue digitisation using a coherent, integrated approach across the country

- Move away from isolated developments and projects and create a critical mass of good practices to share, promote and support the scaling up of successful initiatives, particularly those with a strong users' perspective, such as mobile apps and the open data example in Miraflores municipality.
- In line with the main findings of Chapter 7 on open government, take advantage of IT to strengthen public engagement and interaction with the public. This can aim to encourage public engagement and participation in policy making, service design and delivery, e.g. of citizens, the private sector and non-governmental actors. This could include conducting early sharing, testing and evaluation of prototypes with the involvement of the expected users.

Box 0.5. **Recommendations on digital government** (*continued*)

- Address the shift to transactional services through proactive channel management and making information on services (e.g. on costs and time) public, more user-friendly and transparent.
- Identify key cross-cutting priority areas for the whole public sector on where to focus efforts and investments – such as high-impact services, "life events", digital skills, ICT security, standardisation and digital inclusion.
- Support implementation of legal changes and make effective use of the key horizontal enablers (e.g. interoperability) in order to ensure a real impact on citizens' lives through a more integrated and easily accessible administration.

Pave the way to a data-driven public sector

- Develop and secure the political leadership's commitment to implement a strategy on shifting to a data-driven culture in the public sector and promoting open government data.
- Further develop the national open government data portal with the idea of making it a platform open to citizens' contributions and facilitating data accessibility and reuse.
- Plan and execute a framework on open data, with guidance allowing the collection and publication of quality data in open formats.
- Allow and promote the production, use and reuse of open data among governmental and non-governmental actors, in order to maximise the delivery of benefits from good governance, and economic and social value perspectives.

Open government (Chapter 7)

The SGP in the PCM is the public body in charge of co-ordinating the implementation of all transparency and open-government initiatives (as provided by Supreme Decree No. 057-2008-PCM on the rules of procedure regarding organization and functions of the Office of the President of the Council of Ministers). Specifically, it has the function of co-ordinating the drafting and implementation of Peru's Open Government Partnership (OGP) Action Plan and supervising the correct and uniform implementation of the standard transparency portals of all government entities.

This reflects good practice in most OECD countries, which have also identified an office, often placed in the centre of government, to co-ordinate such policies. That said, the frequent change in prime minister and consequently of PCM staff has inevitably affected the continuity of the PCM's action, its effectiveness and impact. For instance:

- As of September 2013, according to Peru's own Self-assessment Report of the Open Government Action Plan (*Reporte de Cumplimiento Plan de Acción de Gobierno Abierto del Perú*), only 7 of the Action Plan's 47 commitments were fully completed, 18 were underway and 22 were in the information gathering phase (PCM, 2013). In addition, these constant changes may also explain the different approaches used to carry out the consultation phases of the different OGP action plans.
- According to Proetica, Peru's chapter of Transparency International, "the constant change of President of the Council of Ministers and the instability of their technical staff inside the PCM has been a major cause of delays on the action plan" (Proetica, 2014).

Overall, the PCM, and the government in general, are to be praised for having kept open government as a main policy priority over the past decade, despite numerous prime ministers. That said, one of the outcomes of this instability appears to be the lack of an overall national open government vision which links the principles of transparency, accountability and participation to Peru's broader public sector reform and overall development plan. The only exception seems to be the linkages established between open government and public sector integrity and anti-corruption policies, which are one of the key axes of all government programmes and, as such, have enjoyed greater continuity. While the SGP has purposely tried to use the OGP action plans to compensate for this lack of a government-wide vision on open government per se, the plans' short-term nature and characteristic focus on specific initiatives do not allow them to provide the necessary strategic framework to properly guide policy design and implementation horizontally and across levels of government.

Despite limited implementation, the process that led to the drafting of the first OGP Action Plan can still be considered as a good example of participation and involvement of different stakeholders, especially from civil society. This, however, cannot be said of the second OGP Action Plan (2014-16). Initially, the process to develop it looked very much like an improved version of that used for the first plan. It was a participatory methodology that included workshops and meetings to gather inputs and suggestions on the commitments from public entities, CSOs and business associations. In addition, websites, Facebook and Twitter accounts were used extensively as communication channels to facilitate the gathering of additional contributions from those institutions that could not participate in the workshops, as well as from the general public (PCM, 2014). In some respects the design of the process was even better than that of the first plan, as it also included activities to extend its reach to the local level, as suggested by many national and international actors, through meetings in Ayacucho, Piura and San Martin. Based on these inputs, a draft was published online for public consultation.

However, the approval of this first version of the plan was delayed by a year; when it was finally adopted, in July 2015 and following a formal reprimand from the OGP Support Unit, the new version was different and covered only the period 2015-16. This second version was immediately met with numerous criticisms from CSOs, which focused not only on the delay by which the government had approved it but also on the lack of transparency and participation which characterised its design phase. Moreover, the fact that the government had removed any reference to the previously proposed creation of an authority to guarantee access to information was of particular significance for CSOs, which many considered to be a pillar of Peru's open government agenda and a *since qua non* condition to improve the transparency and accountability of Peru's public sector. CSOs suspended their participation in the Multisectoral Monitoring Commission as of 5 December 2014, following the unexplained refusal of the government to approve the 2014-16 OGP Action Plan and to create the above-mentioned authority.

As a result, several CSOs, supported by the Ombudsman's Office of Peru, demanded that the plan include *inter alia* the creation of the National Authority for Transparency and Access to Public Information to implement Peru's transparency policy, with a national and regional level jurisprudence, and with a budget provided by the MEF, and the promotion of a specific anti-corruption policy to strengthen the High-Level Anti-Corruption Commission (CAN), the regional anti-corruption prosecutors and the Anti-Corruption Observatory, instances that struggle to meet their mandated objectives. This proposal was reiterated by the Ombudsman to the government in May 2013 and August 2014, but to date has met with no reaction on the part of the government.

OECD countries have different mechanisms to monitor the implementation of their access to information legislation (authorities, parliamentary committees, executive committees, national and/or regional ombudsmen, administrative courts, etc.). While the choice of the institution ultimately belongs to the government of Peru in consultation with all relevant national stakeholders, if Peru wants effectively to improve the transparency and accountability of its public sector, it is paramount that it improves the compliance of its institutions either through the creation of a new oversight body or by formally handing this responsibility and associated powers to an existing office or institution.

Both government and CSO representatives acknowledge that the capacity of the various institutions involved to deliver against their commitments has been limited. More importantly, it appears that the value of open government initiatives has so far focused on selected areas of public sector reform, thus underutilising their potential contribution to broader societal goals and, overall, to the country's socio-economic development. This is partly due to the lack of a broader reflection on the value added of the principles and practices of openness, transparency, accountability and citizen participation for areas such as integrity and anti-corruption, inclusive growth, territorial development, conflict prevention and resolution, etc.

The open government eco-system in most countries goes far beyond the activities included within their national modernisation strategies or OGP action plans. These practices and institutions provide good examples and concrete experiences that are often more institutionalised and have been successfully implemented for longer than their OGP membership, and should therefore be considered as an integral and fundamental part of any national vision on open government.

- In the case of Peru, institutions like the Defensor del Pueblo (Ombudsman), the National Office for Dialogue and Sustainability (Oficina Nacional de Diálogo y Sostenibilidad) and the National Agreement bear testimony to the many and diverse attempts of the people and governments to promote and implement open government principles. They also constitute solid pillars on which to build a broader and more integrated national open government agenda for Peru.
- In order to increase the reach, inclusiveness and effectiveness of its open government agenda, Peru should build on the good practices of the Ombudsman, of the National Office for Dialogue and Sustainability, and of the National Agreement. This would allow Peruvian policy makers to promote a more integrated national vision of what open government means for Peru and how to strategically use it to better achieve national policy outcomes. In particular, including the National Office for Dialogue and Sustainability and the National Agreement in the Multisectoral Monitoring Committee (the Ombudsman is already a member), would give them the opportunity to play a crucial role in disseminating a culture of openness and accountability and in ensuring higher implementation rates, especially at the local level.

In so doing, the government could consider the following recommendations.

Box 0.6. **Recommendations on open government**

Strengthen the governance of open government

- Define a national stand-alone open government policy to go beyond the open government components of the 2013 national modernisation strategy and its implementation plan (DS 004-2013-PCM and RM 125-2013-PCM) and provide a broader and more integrated context to the specific initiatives of the OGP action plans. This would allow Peru to develop a more detailed and specific approach on how to promote the principles of transparency, accountability and citizen participation in the country, at all level of governments, and link them to the objectives of the national or territorial development plans.
- Strengthen the co-ordination role of the Secretariat of Public Management (Secretaría de la Gestión Pública, SGP) and establish a systematic monitoring and evaluation function within it, coupled with a system of incentives/disincentives for public servants in charge of implementation of open government initiatives, especially in the area of access to information.
- Revitalise the Multisectoral Monitoring Commission (Comisión Multisectorial de Seguimiento, CMS) and consider expanding its role to turn it into a forum to discuss the country's open government priorities (and eventual national policy), to recognise obstacles to the successful implementation of Peru's OGP Action Plan, and to jointly identify solutions.
  - Improve its functioning by organising more meetings on a consistent basis, promoting the participation of all relevant stakeholders, instituting the requirement to provide implementation reports to the commission and the publication of minutes of each session, which can allow citizens to be better informed about Peru's open government efforts, and CSOs and the media to play their role of watchdogs. The combined impact of some or all of these actions will have positive repercussions on the implementation of present and future OGP action plans.
  - Ensure that the institutions involved in the OGP Action Plan appoint qualified staff in charge of the implementation of their respective commitments.
  - Provide more extensive training opportunities for public officials at central and local levels on open government principles and practices.
  - Carry out large-scale awareness campaigns to inform the general population on the OGP action plans as well as the different members of the government and the legislative branch.

Strengthen the management of Peru's transparency and access to information framework

- To increase the level of institutional compliance to the requirement of the Freedom of Information Law and facilitate citizens' access to information, Peru should consider the following:
  - Improve the compliance of national institutions to the requirements of the Access to Information Law, either through the creation of an oversight body or by giving this responsibility, and relative powers and funds, to an existing institution.
  - Develop a binding regulatory framework to define incentives and sanctions for public officials in charge of dealing with access to information requests.
  - Make it mandatory to respond to every request for information in writing.
  - Set the same fee across all public institutions, or at least define binding parameters for setting it.

Box 0.6. **Recommendations on open government** (*continued*)

- Implement capacity to make online payments to reduce the cost incurred reaching the public entity or bank and especially if the request for information was filed online.
- Develop guidelines for the classification and declassification of information.
- Design job profiles of public officials in charge of implementing the law and base recruitment on these profiles.
- Use IT to process requests for information, monitoring their status and communicating their final outcomes to citizens.
- Design specific training modules on the right of access to public information and include them in the HRM strategy to develop the competency of the civil service, as part of the broader attempt to promote knowledge of open government principles and practices.
- Establish clear guidelines on how to address appeals and record the appeal process to monitor how these have been addressed.
- Provide specific support to regional and local administrations to publish online the information required by the Law on Transparency through capacity-building activities and the provision of the necessary IT equipment.

Conclusion

This assessment points to three overarching themes that cut across the governance reform subject areas covered in this review. These themes highlight their interconnected nature:

1. There is a need to **strengthen capacity and political clout** in the centre of government, notably in the small cluster of CoG units in the PCM, to bolster capacity to lead whole-of-government strategy setting and implementation, whether in terms of strategic planning, monitoring and evaluation, setting and implementing a robust digital government strategy, or doing the same in the area of open government, transparency and access to information.
2. There is a need to **reinforce co-ordination horizontally** between CoG units within the PCM, between them and the MEF, and between the CoG and line ministries, whether to strengthen the relationship between spending decisions and the pursuit of strategic policy objectives so that the government can determine whether its decision making is achieving results and improving outcomes for people, to ensure that the government's civil service reform efforts are properly funded, or to ensure that all of these plans are implemented coherently as integral components of the government's national development and modernisation strategies. More effective **vertical co-ordination** is required to see the decentralisation agenda through to its proper conclusion in a way that strengthens the government's capacity to assess the performance of decentralisation initiatives as a function of reducing inequality and regional disparities, and improving outcomes for people on the ground.
3. There is a need to **strengthen the evidence base and its use in strategy setting and implementation**, notably in terms of robust performance data, to be able to monitor progress in pursuing the various strands of the government's reform and development agendas, whether nationally or on the ground across the various

regions of the country. This implies a more integrated, multi-dimensional approach to monitoring and evaluation to enable the government to assess properly whether, for example, decentralisation initiatives in health and education are reducing regional disparities and improving outcomes for the poorest Peruvians.

The complexity involved in implementing these reform strands as integral components of the government's national development strategy will require robust leadership from the centre, monitoring and evaluation, and feedback loops to enable the government to adjust course if the reforms are not achieving the results they were intended to achieve. This has governance implications: insofar as the incoming government chooses to pursue the advice contained in this review and in the other governance reviews being carried out under the OECD Country Programme, it will be important to mandate a responsibility centre in the CoG, for instance the SGP, to lead this process over time, to drive co-ordination across the PCM, with the MEF, with line ministries and regional governments, and to offer support and advice to key actors across the public administration as reforms are being pursued. The government could consider the final recommendation below in this regard.

Box 0.7. **Recommendation: The governance of implementing reform**

The Secretariat for Public Administration (SGP) should prepare a comprehensive strategy and briefing package for the incoming government at the level of politicians and officials to inform them of the OECD's recommendations with a view to raise awareness and generate buy-in for a comprehensive, integrated package of reforms that the incoming government could pursue over the term of its mandate.

Peru could assign responsibility for supporting the implementation of this reform package to a dedicated project office (perhaps styled as a Delivery Unit) located within the PCM.

- The project office could be made up of civil servants seconded from the key secretariats in the PCM and the MEF, as well as from key programme ministries engaged in decentralisation. The personnel selected for the project office should be of sufficiently senior rank to enable them to engage their respective leadership effectively.
- Reporting on progress in implementing reforms to the Council of Ministers (notably to its recommended Standing Committee – see recommendations in Box 0.1) could occur on a regular basis, either bi-annually or annually, on both outputs and outcomes being achieved through the reform implementation process. This performance information should inform the PEDN and budget planning.
- With the approval of the Council of Ministers, the PCM/Delivery Unit could report annually on progress to the Congress and the people of Peru.
- The relevant senior civil servants could be held accountable through their annual performance appraisal process for the implementation of reform plans and actions approved by the Council of Ministers.

Notes

1. http://transparencia.mtc.gob.pe/idm_docs/normas_legales/1_0_31.pdf.
2. http://sgp.pcm.gob.pe/wp-content/uploads/2015/06/DS-004-2013-PCM-Aprueba-la-PNMGP.pdf.

Chapter 1.

Contextualising public governance reform in Peru

This chapter provides an overview of Peru's politico-administrative and socio-economic changes in recent years, as well as an analysis of the political history of Peru with the aim of understanding many of the challenges the country's political leadership and public sector are facing today in their quest to make national growth more inclusive. This chapter proposes that addressing the challenges outlined and building resilient institutions can ultimately result in more inclusive growth and increased living standards for all Peruvians.

Introduction

An ethnically, culturally and geographically diverse country, the Republic of Peru is the sixth most populous state in Latin America and the seventh largest economy in the region (OECD, 2014). With an average economic growth rate of 5.3% between 2000 and 2014, the country stands out as one of the most rapidly evolving economies in Latin America, driven by significant reform and impressive economic momentum. This momentum, sustained by a combination of prudent macroeconomic policies, the country's abundant natural resources and thorough structural reforms, has enabled Peru to make impressive socio-economic progress in recent years. These socio-economic advances are all the more outstanding as consecutive military coups, social unrest and recurring economic crises have negatively affected the country's governance frameworks while eroding trust in public institutions.

An analysis of the political history of Peru can foster a greater understanding of many of the challenges the country's political leadership and public sector are facing today in their quest to make national growth more inclusive. History can explain such factors as the limited resilience of the public sector, strong centralism that prioritised the coastal areas around Lima, and the weakness of political parties, which continue to influence the country's governance frameworks and decision-making process.

Since 2001, in a period of relative political and economic stability, millions of Peruvians have overcome poverty to join the ranks of the middle class. Levels of human development and of gross domestic product (GDP) per capita are rising while income inequality is falling. Nevertheless, Peru remains a deeply unequal and divided country caught in a middle-income trap. Regional disparities, gender inequality and, in particular, ethno-cultural inequalities and poverty, geographically concentrated in the country's Sierra and Selva regions, remain high compared to OECD standards and are putting pressure on the Peruvian state to guarantee equity and make growth more inclusive.

In response to these challenges, the national government is focusing its policy and governance reform efforts on pursuing more inclusive growth outcomes, whether through a greater focus on public administration reform, a decentralisation agenda aimed at giving voice to the country's rural and remote regions, or counter-cyclical investment strategies to drive job creation and economic diversification nationally and in the regions, recognising that a participatory, transparent, open, and efficient and effective public sector can play an essential role in achieving inclusive growth objectives and narrowing inequality. As observed in OECD countries, government capacity and quality of government have strong effects on well-being, social trust and political legitimacy (OECD, 2015b). But Peru's public sector faces considerable challenges that impede it from taking its role as promoter of inclusive growth. These challenges include enhancing whole-of-government co-ordination to address multi-dimensional policy challenges, bolstering the evidence base for policy making, enhancing multi-level governance for better service delivery and contributing to interregional equity, increasing citizen participation and making use of the benefits of open government, creating stability and resilience of the public workforce, and making more effective and efficient use of the potential offered by ICTs and digital government.

This OECD Public Governance Review proposes that addressing these challenges and building resilient institutions can ultimately result in more inclusive growth and increased living standards for all Peruvians. This review provides practical advice aimed at

supporting the government's efforts at tackling the key public governance barriers to inclusive growth.

History's influence on present-day governance in Peru

Since its independence on 28 July 1821, the Republic of Peru has been marked by considerable instability generated by rapid swings between democracy and dictatorship. The political history of Peru contains a long list of short-term reforms, hobbled by political instability, as reform objectives have historically shifted between cabinet compositions and between presidential terms. This section will focus on reform efforts undertaken by different governments since 1945 to address economic, ethnic and geographic divisions aimed at making the state more effective and efficient.

The post-war period: Growing disparities, in-migration to Lima and heightened conflict

In 1945, José Luis Pablo Bustamante y Rivero, leader of the Frente Democrático Nacional (FDN) that included Apra, the American Popular Revolutionary Alliance, the oldest political party in Peru, was elected president. While initially popular (he notably restored freedom of the press upon entering office, and would eventually chair the International Court of Justice in the late 1960s), increasing political polarisation led to his overthrow in 1948 by a military coup led by General Manuel A. Odria. The following years saw a prolonged period of strong, export-led growth of on average 5% per year (Taft-Morales, 2013). However, it was mainly the coastal areas around Lima that benefited from the country's economic development. The unequal economic progress reinforced the "dualistic structure of the country" that had existed since colonial times (Taft-Morales, 2013), while also contributing to an increase in the levels of conflict.

In the mountainous Andean regions of the Sierra, living standards and well-being stagnated and in some areas decreased, contributing to increasing migration to the coastal areas (Gonzales de Olarte, 2000). From approximately 0.5 million inhabitants in 1940, Lima's population rose to 1.6 million in 1961 and to 4.1 million in 1981 (Taft-Morales, 2013). In the capital, thanks to economic progress, a middle class began to emerge. With this middle class appeared new political actors who started challenging the political and military elites (Taft-Morales, 2013).

Levels of conflict rose steadily in the 1950s and 1960s. In the elections of 1962, Haya de la Torre, the founder of Apra, gained most of the votes without obtaining the necessary two-thirds majority to be elected president. As a consequence, the military annulled the election results and launched a *coup d'état*. The military junta led by General Pérez Godoy held power for a year before calling new elections. The junta undertook attempts at modernising the Peruvian state: it created, for instance, the National Economic and Social Development Planning System and the National Planning Institute (Government of Peru, 2015a).

1963-1980: From civilian rule to a reformist military government

In 1963, Peru returned to civilian rule and Fernando Belaúnde Terry from *Acción Popular* (AP) was elected president. President Belaúnde's government initiated a series of reforms to make the Peruvian state more effective and efficient. Efforts focused on strengthening local governments, enhancing the efficiency of state enterprises and improving the functioning of different ministries (Alonso et al., 2007). President Belaúnde

further tried to calm the increasingly violent conflict in the Sierra by means of modest agrarian reforms, infrastructure projects in the high jungle and the construction of a modern road through the Amazon (US Library of Congress, 1993).

As with previous governments, the involvement of the state in the economy was limited under President Belaúnde (Alonso et al., 2007). From 1964 to 1968, public expenditure remained below 20% of GDP and the share of public enterprises in GDP was approximately 6% (Alonso et al., 2007). In 1968, President Belaúnde's government was overthrown by a *coup* caused by the increasing economic difficulties the country was facing and a conflict with an international oil company over claims to Peruvian oil fields.

Consecutive military governments: From nationalisations and land reform programmes to austerity

In the following years, the military government led by General Velasco Alvarado proceeded to undertake a series of important economic reforms consisting mainly in land reform programmes and nationalisations, including in the oil industry (US Library of Congress, 1993). In 1969, a new agrarian reform law was introduced whose purpose was the elimination of large private landholdings and converting them into cooperatives (Immigration and Refugee Board of Canada, 1999). Government spending increased significantly (Alonso et. al., 2007) and, as a consequence, the deficit rose from 1% in 1969 to 10% of GDP in 1975 (US Library of Congress, 1993). In addition, General Velasco's military government significantly reformed the structure of the executive branch, increasing the number of ministries and public agencies, and nationalising private companies.

Velasco's economic and social reform programmes ran out of steam in the middle of the 1970s and in 1975 he was pushed out of power by General Morales Bermúdez, whose military government focused on the implementation of an economic austerity programme to fight growing inflation (ibid.). But public opinion increasingly despised the military elites, blaming them for Peru's complicated economic situation, widespread corruption and mismanagement of the government (ibid.). The military junta implemented a new plan to overthrow the sitting military leader and designate a new one based on a new agreement. The new military leadership, more conservative, pursued a less radical reform agenda focused on restoring the Peruvian economy and changing the negative image that the military had in the eyes of citizens. But public pressure through general strikes in 1977 and 1978 continued.

***The 1979 Constitution: Universal franchise, decentralisation and safeguards against military* coups**

In order to prepare for a return to democracy, the military called a Constitutional Assembly to draft a new Constitution. While the resulting 1979 Constitution introduced the universal franchise, by this time, and due to the long military reign, most of the population, especially those without privileged access to power and government services, had already learned not to rely on electoral means for expressing their demands to the government (World Bank, 2001). The Constitution of 1979 established a pluralistic state in the political, economic and social spheres and confirmed the right of the state to intervene in economic activity without undermining free private initiative. For the first time, political parties were recognised and protected at the constitutional level. The Constitution also enshrined respect for human rights in the public and private spheres and established mechanisms for protecting these rights. Several articles refer to the necessity of avoiding military governments and respecting the constitutional presidential periods.

The President of the Republic became the commander in chief of all military forces, thus placing more power in civilian hands as a way to avoid military *coups*. Finally, by means of a territorial restructuring, the Constitution of 1979 promoted a more decentralised state.

The 1980s: Back to democracy, economic crises and the rise of the Sendero Luminoso

Peru returned to democracy in 1980. The winner of the elections, former President Fernando Belaúnde from Acción Popular, built a majority in parliament by forging a coalition with the Partido Popular Cristiano. President Belaúnde inherited a country that was very different from the one he had governed in the 1960s (US Library of Congress, 1993). Due to nationalisations, the old export oligarchy was gone and the amount of foreign investment in the economy had been drastically reduced (ibid.). General Velasco had indebted the country through credits from foreign banks and considerably expanded the size of the state (ibid.). At the same time, the informal sector of small- and medium-sized businesses outside the formal economy had proliferated (ibid.).

Living conditions of poor people in the Sierra deteriorated further and poverty became increasingly spatially concentrated. The 1980s were also characterised by the appearance of the Sendero Luminoso (Shining Path), a radical Maoist terrorist group which launched an armed struggle against the government.

In the 1985 elections, Peru swung to the left with APRA's Alan García becoming president. President García's complicated relationship with the international financial community and high levels of spending on social programmes led to hyperinflation and a debt crisis by the end of the 1980s (US Library of Congress, 1993). Inflation had reduced tax revenues and significantly increased the value of the public debt (Alonso et al., 2007). In parallel, real levels of GDP per capita dropped lower than they had been in the 1960s and the reduction in spending on education and health resulted in lower quality public service (ibid.). With the campaign of the Sendero Luminoso intensifying due to the severity of the economic crisis, the country sought help from the International Monetary Fund in 1988 (BBC, 2015).

The Fujimori years: Centralisation and privatisations to stimulate the private sector

By the beginning of the 1990s, Peruvians were looking for drastic change. The country found itself in a difficult economic situation characterised by hyperinflation and isolation from international financial markets. Moreover, more than 3 000 political murders had been reported while many more people had "disappeared". In the 1990 elections, the independent centre-right candidate Alberto Fujimori was elected president. With the election of President Fujimori, an ambitious economic reform programme was initiated and the state started gaining the upper hand on the Sendero. Initially, people seemed pleased with the president's efforts. Despite not having a majority in Congress or a well-structured party platform, President Fujimori was able to consolidate an important public and international movement, in part due to his significant legitimacy as a man coming from outside the political power structure (Alonso et al., 2007).

Alonso et al. (2007) identify three axes that characterised the Fujimori government in the 1990s:

1. First, the government – in contrast to the military governments of the late 1960s and 1970s – focused on measures aimed at reducing the role of the state in the economy. This included the withdrawal of the state from the production of goods and services, as well as a cut of non-financial public spending. Juan Carlos Hurtado Miller, Prime Minister at that time, considered that excessive state intervention in economic life stifled and obstructed the private sector (Cortázar Velarde, 2007). The private sector was incentivised by means of privatisation of public enterprises and the promotion of private investment in public service infrastructure (Guerra-García, 1999).
2. Second, the government conducted a reorganisation of the state, centralising power in a handful of ministries, and concentrating public spending in those ministries (Cortazar Velarde, 2007). President Fujimori considerably restructured public institutions (OECD, 2014) to address what he saw as an oversized government. Bureaucratisation was seen as synonymous with inefficiency, or the intrinsic incompetence of the public administration.
3. Third, the government created agencies mandated to regulate newly privatised areas (Alonso et al., 2007).

While these measures led to some "islands of efficiency" (Guerra-García, 1999) that survive to this day, reform efforts did not strengthen public administration as such. Not only did the reforms involve a reduction in the size of government, but they caused a reduction in institutional capacity, thus resulting in weakened regulatory capability over the economy (Alza Barco, 2012).

The 1993 Constitution: Re-election of the president, a reduction in levels of government and a unicameral Congress

President Fujimori's mistrust of political parties and Congress and his conviction that the executive branch and elements of direct democracy needed to be strengthened, eventually led to a new constitutional framework. President Fujimori dissolved Congress and called for a constituent assembly (the so-called "Democratic Constituent Congress"). In 1993, the Peruvian people approved a new Constitution that reduced the Congress to one chamber and allowed for the re-election of the president (Alonso et al., 2007). The Constitution further reduced the role of the state in the economy and promoted the equality between national and foreign private investment.

Re-election in 1995, then the collapse of the Fujimori government in 2000

Nevertheless, positive macroeconomic results resulted in strong popular support for the president (ibid.). GDP grew by 4.8% in 1993 and 12.5% in 1994 while inflation declined from 15% in 1994 to 10% in 1995 (ibid.). President Fujimori was re-elected in 1995, allowing him to continue his reform programme (ibid.). He pursued actions and measures aimed at addressing the "organisational chaos" of public administration (Alza Barco, 2012) and reform efforts focused on eliminating parallel structures within ministries, overlapping functions among different institutions and inflexibility of public sector labour schemes (Alza Barco, 2012).

The 1990s were also characterised by a slowdown in the economy and by rallies against the government's control of the media and the restriction of civic rights (Alza Barco, 2012). Moreover, the violent and strong-handed military tactics to wipe out the Sendero Luminoso resulted in serious human rights violations (Taft-Morales, 2013).

In the highly contested presidential election of 2000, Alberto Fujimori ran against Alejandro Toledo. President Fujimori was re-elected, but his government collapsed over a large-scale corruption scandal.

The 2000s: Social transformation and the rebuilding of the Peruvian state

Alberto Fujimori's retreat marked the end of an historic period in Peru; it opened a window of opportunity to tackle key political, policy and social issues. Reform efforts began to focus on rebuilding the Peruvian state and on redesigning, strengthening and consolidating public institutions as a means to regain public trust (OECD, 2014). The relative political and economic stability that has characterised the county since the early 2000s has allowed for continuously high levels of economic growth and important socio-economic advances.

The establishment of the National Agreement and the Truth and Reconciliation Commission

The short transitional government of Valentín Paniagua shepherded the country back to democracy. In only eight months in office, Paniagua left a legacy of having led a broad-based government that took big strides toward rebuilding Peru's democracy, including overseeing clean elections (Associated Press, 2006).

In the 2001 presidential elections, Alejandro Toledo and the party Possible Peru he founded in 1994 defeated former president Alan García. Toledo narrowly won in the run-off. The 2001 elections demonstrated the relative weakness of political party structures in Peru. As in the past, parties and electoral alliances had not been created on the basis of philosophical like-mindedness or a shared vision for the country on which to campaign and drive national strategy implementation once elected. Rather, they had been organised around specific personalities.

A great number of incremental reforms took place between 2001 and 2004 (Government of Peru, 2015a), contributing to economic growth and poverty reduction:

- President Toledo's government increased tax collection, reduced expenditures and the budget deficit, and negotiated a free-trade agreement with the United States (Taft-Morales, 2013).
- In 2002, co-ordination between key public authorities, political leaders and civil society resulted in the establishment of the National Agreement (*Acuerdo Nacional*) (OECD, 2014, and Chapter 2), a forum for national dialogue on broadening and deepening democracy assembling leaders from all of society's key public and private stakeholder groups. The establishment of the National Agreement was an important step in generating national debate on a medium- to long-term vision for the county's development. The National Agreement further highlighted the need for the government to pursue effective national strategic planning. The fifth "state policy" (*Política de Estado*) prompted the creation of a national system of sector-based, institutional strategic planning, with a clear setting of general and specific objectives, establishing short-, medium- and long-term goals and outcomes, coupled with quantifiable performance measurement indicators.
- The transitional government headed by Valentin Paniagua created a Truth Commission on 4 June 2001 (by Supreme Decree No. 065-2001-PCM), which was ratified and complemented by Alejandro Toledo on 4 September 2001, finally being called Commission of Truth and Reconciliation (Supreme Decree No. 101-2001-PCM). The

commission was created as the body responsible for clarifying the process, facts and responsibilities of terrorist violence and violation of human rights from May 1980 to November 2000, attributable both to terrorist organisations and state agents, and proposed initiatives to affirm peace and harmony among Peruvians. One of its essential purposes is to lay the foundation for a profound national reconciliation process, from clarifying the facts and the restoration of justice (Supreme Decree No. 101-2001-PCM).

A focus on political and administrative decentralisation

In 2002, a constitutional reform on political and administrative decentralisation was adopted (see Chapter 4). The Decentralisation Basic Law, the Territorial Demarcation Law and the Organic Law of the Regions led to the establishment of regional governments. The National Decentralisation Council was created to manage and co-ordinate the decentralisation process (Government of Peru, 2015a). Implementation issues initially created a situation in which the reform did not achieve the results it had been designed to achieve: the reform's roll-out had not been co-ordinated between the executive branch and the legislative branch (Government of Peru, 2015a). This resulted in a lack of clarity in the allocation of powers between regional and local governments, which received new competencies but did not have sufficient capacity to implement their new functions (Government of Peru, 2015a; see Chapter 4).

In 2004, the Framework Law on Public Employment was approved in a first attempt to create a comprehensive civil service reform. With its Framework Law for the Management of Government Modernisation, the government aimed to improve the efficiency of the state apparatus (Government of Peru, 2015a).

The return of Alan García: Economic growth and progressive governance reform efforts

Apra's Alan García launched a political comeback and won the presidential race in 2006 (Taft-Morales, 2013). Economic growth continued under President García. He instructed his Minister of Transport and Communications, Veronica Zavala, to lead the state reform process (Government of Peru, 2015). In 2007, the government began with the progressive implementation of performance budgeting through budgetary programmes, follow-up actions based on performance indicators, evaluations and management incentives (see Chapters 2 and 3). Furthermore, by means of a Supreme Decree (No. 027-2007-PCM) 12 "national policies" that are binding on the institutions of the national government were established, including a strong focus on administrative simplification (Government of Peru, 2015a).

In 2009, the National Administrative Simplification Policy was approved to complement the Supreme Decree and introduce methodologies, tools and information systems to monitor progress in the implementation of the reform. The policy would later be absorbed by the National Modernisation Policy of 2013. During the second García administration, GDP grew by 7.5% in 2006, 8.5% in 2007 and 9.1% in 2008 (World Bank, 2015c).

The 2011 elections: A renewed focus on the modernisation of the state

In the 2011 elections, Ollanta Humala supported by the electoral alliance Gana Perú narrowly defeated the Fuerza Peru candidate Keiko Fujimori, the daughter of former President Alberto Fujimori. In his presidential campaign, candidate Humala promised to make considerable efforts to reform the state and to create a stronger link between economic growth and social inclusion. To this end, after President Humala was elected,

the Public Management Secretariat (*Secretaría de Gestión Pública*), a unit in the Presidency of the Council of Ministers (see Chapter 2), developed the National Policy on Modernisation of Public Management. The Implementation Plan of the National Policy on Public Management Modernisation for 2013-16 was adopted in May 2013 (Ministerial Resolution No. 125-2013-PCM; see Chapter 2).

The National Policy sets the vision, principles and guidelines for consistent and effective public sector performance by a state that is to be at the service of citizens and the country's development. The current public sector modernisation agenda aims to guide, co-ordinate and promote the process of modernising public management towards results that have a positive impact on the welfare of citizens and the development of the country (Government of Peru, 2015a). The vision of the policy can be summarised as follows: "A modern state is one that is oriented to the citizen; it is efficient, unitary, decentralized, inclusive and open (transparent and accountable)" (Government of Peru, 2015b).

The National Policy has five pillars:

1. public policies, strategic plans and operating plans
2. performance budgeting
3. process management, administrative and institutional organisation
4. meritocratic civil service
5. information, follow up, evaluation and knowledge management system.

It further has three transversal axes:

1. open government
2. electronic government
3. inter-institutional co-ordination.

Today: Impressive progress, but important disparities persist

The comparatively stable democratic political environment and favourable macroeconomic conditions since the beginning of the 2000s, including high international commodity prices and relatively easy access to international finance, have allowed Peru to make impressive socio-economic progress (OECD, 2015a).

Nevertheless, Peru is still a deeply divided country with structural deficiencies that cut and block opportunities for large sections of the population. Important economic, gender-related, ethno-cultural, social and political disparities remain. At the aggregated level, well-being and human development have improved and poverty has been reduced, but inequality between different groups of the population and between different regions remains high and has actually increased in recent years. The next section discusses the socio-economic progress made in recent years while highlighting the necessity to tackle persisting inequalities, which explains the nature and scope of the governance reform agenda currently being pursued by the national government.

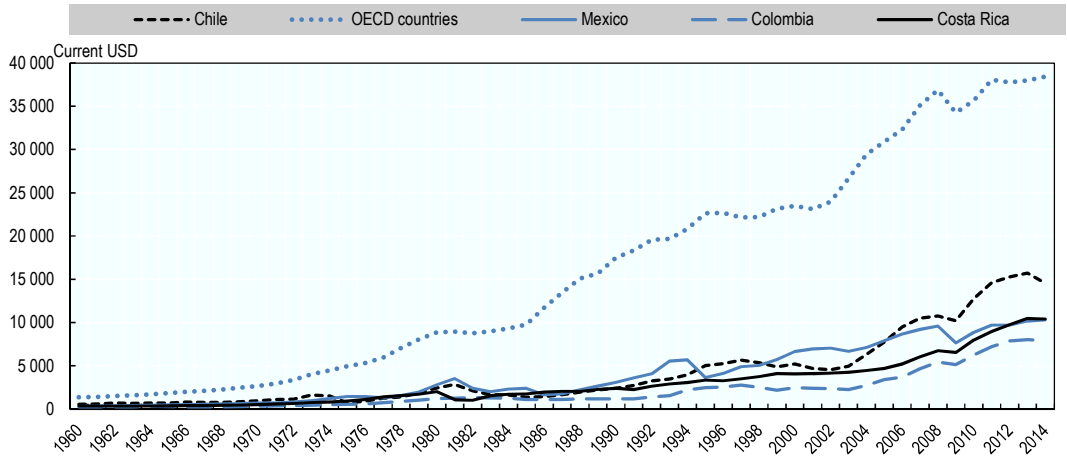
Strong macroeconomic performance

Peru's macroeconomic performance has been extraordinary (OECD, 2015a). The country has one of the most rapidly evolving Latin American economies. Between 2000

and 2014, economic growth averaged at 5.3% per year and was second only to Panama in Latin American and Caribbean countries and well above the regional average of 3.1% (ibid.). Even during the worst moments of the global economic crisis, Peru was one of the few Latin American countries that still registered positive growth (1.1%). From 2010 to 2013, while the global economy grew very slowly, Peru had an average growth rate of 6.7% (OECD, 2014).

This stable economic growth has contributed to an expansion of GDP per capita (current USD) from USD 1 180 in 1990 to USD 1 960 in 2000 and USD 6 594 in 2014 (World Bank, 2015b).

Figure 1.1. **Growth of GDP per capita between 1960 and 2014**



Source: World Bank (2015e), "GDP per capita (current US$)", http://data.worldbank.org/indicator/NY.GDP.PCAP.CD.

The World Bank Doing Business Index ranks economies on their ease of doing business. Peru was in 45th position in 2015, up from 56th in 2010 (World Bank, 2015c). This score is comparatively high among transition countries (OECD, 2015a).

Economic growth has been accompanied by a similar growth in government revenues. Since 1990, tax revenues increased from 12.1% (OECD average: 32.2%) to 18.3% in 2013 (OECD average: 34.1%) (OECD, 2015e).

Falling levels of poverty

Relatively high levels of economic growth and a growing emphasis on social policies and redistributive programmes have helped reduce poverty rates and inequality, and to increase the overall well-being of Peruvians (OECD, 2015a).

Poverty levels have fallen drastically in the past decade. While 56% of the population was still considered poor in 2005, this number had fallen to 22.7% in 2014 (World Bank, 2015a). This impressive development has resulted in 7 million Peruvians that are no longer considered poor (World Bank, 2015a). It is estimated that in 2014 alone, almost 300 000 Peruvians managed to escape poverty (World Bank, 2015a).

Table 1.1. **Poverty headcount ratio at national poverty lines in Peru, 2005-13**

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Percentage of population	55.6	49.2	42.4	37.3	33.5	30.8	27.8	25.8	23.9	227

Source: World Bank (2015b), "Peru", *World Development Indicators*, http://databank.worldbank.org/data//reports.aspx?source=2&country=PER&series=&period.

The proportion of the population living below USD 1.25 per day decreased from 15.8% in 1999 to 7.8% in 2005, and to 3.0% in 2012 (United Nations, n.d.). According to the World Bank (2015a), extreme poverty is highly rural and is concentrated in the regions of Cajamarca, Piura, La Libertad and Apurímac (see below).

An emerging middle class and increasing levels of human development

According to data from the United Nations Development Programme (UNDP, 2014a), between 2000 and 2012, the share of the middle class rose from 12.28% to 34.3% of the population. In parallel, life expectancy at birth rose from 60.1 years in 1980 to 74.6 years in 2014. These trends are reflected in Peru's Human Development Index value which improved from 0.577 to 0.734 over the same period (Table 1.2). This value is similar to the Human Development Index of Brazil (0.755) and Mexico (0.756), but remains far below the OECD average (0.887).

Table 1.2. **Peru's Human Development Index trends (selected data)**

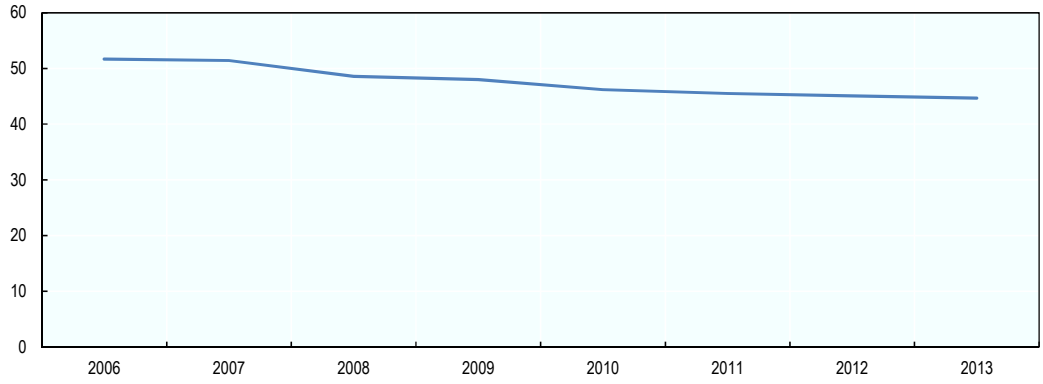
	Life expectancy at birth (years)	Mean years of schooling	Human Development Index value
1980	60.1	5.5	0.577
1985	63.0	5.9	0.600
1990	65.5	6.6	0.613
1995	68.0	7.3	0.643
2000	70.5	8.0	0.677
2005	72.4	8.4	0.691
2010	73.9	8.8	0.718
2011	74.2	8.9	0.722
2012	74.5	9.0	0.728
2013	74.8	9.0	0.732

Source: UNDP (2014a), *Human Development Report 2014: Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience* – Explanatory note on the 2014 Human Development Report composite indices: Peru.

Lowering income inequality

While less spectacular then the fall in poverty, there has also been a decline of inequality, which is consistent with the overall Latin American trend of lowering inequality (Prado, 2013). The Gini coefficient, the global measure for income inequality, dropped from 0.52 in 2003 to 0.44 in 2014. While this drop is important, the level of inequality has historically been high. Income inequality remains significantly above the OECD average (0.32 in 2012), and close to or above the level in high inequality OECD countries (OECD, 2015c).

Figure 1.2. **Gini Index of Peru**



Note: World Bank and IndexMundi estimate.

Source: World Bank (2015d), "GINI index (World Bank estimate)", *World Development Indicators*, (http://data.worldbank.org/indicator/SI.POV.GINI/countries/1W-PE?display=graph.

The middle-income trap and vulnerabilities of certain groups

Its strong economic performance elevated Peru to the group of "upper middle-income" countries in 2008 (OECD, 2015a). However, as in many other countries at similar stages of development, the period of productivity growth was followed by a slowdown of the economy, which the economic development literature has termed "middle income-trap" (OECD, CAF and ECLAC, 2014), a situation where productivity growth stagnates after countries have reached middle-income status (OECD, 2015a). The country's drivers of growth, which are strongly reliant on labour, capital accumulation and the commodity exporting sector, seem insufficient to sustain further socio-economic progress (ibid.).

In the short and medium term, the effects of the "middle-income trap" could mean a deterioration of the economic situation of the newly expanded middle class in Peru. Still vulnerable parts of this class may fall back into poverty if the economy faces turbulence or a slowdown. Many Peruvians are officially classified as "not poor", but still lack access to basic services and social protection and are therefore particularly vulnerable to economic shocks. The size of those belonging to this group increased from 33.8% in 2000 to 40% in 2012 (UNDP, 2014b).

In order to tackle these challenges, the government has to combat high and widespread informality in the labour market and decrease the prevailing inequality among its regions (OECD, 2015a). Simultaneously, newly evolving demands for public services, most notably education, health and transportation, need to be addressed in order for Peru's growth to be sustainable and inclusive (ibid.).

Regional disparities and the urban-rural divide

The decrease in overall income inequality reflected in the country's Gini Index hides significant geographical differences. As seen above, Peru's development has historically focused on Lima and large coastal cities. The improvement of the socio-economic situation of rural Peruvians has been much slower than that of urban Peruvians (World Bank, 2015a; OXFAM, 2014).

In 2004, a resident of a rural area of Peru was approximately twice as likely to be poor as a resident of an urban area. By 2013 this likelihood had tripled (OXFAM, 2014). Moreover, while also declining, the Gini coefficient for rural areas has decreased

significantly less than urban inequality (World Bank, 2015a). The poverty gap between the country's rural and urban areas remains wide (World Bank, 2013).

Spatially concentrated ethno-cultural poverty

Regional disparities coexist with and are reinforced by the persistence of inequalities among Peruvians of different ethnic backgrounds. Peru is characterised by great levels of ethnic and cultural diversity (Government of Peru, 2015a). It is estimated that the country has more than 50 different groups of indigenous or native peoples and 20 further ethnic groups that arrived after Spanish colonisation (ibid.). According to the Peruvian Ministry of Education (2013), 47 different languages are spoken in Peru, Quechua being the most prevalent. Overall, among the population that speaks indigenous languages, 80.9% live in rural areas (ibid.). At 45.7%, the Quechua-speaking population is the indigenous group with the highest percentage of urban population (Government of Peru, 2015a).

Although poverty decreased for both indigenous and non-indigenous populations between 2004 and 2013, the reduction was significantly lower for indigenous Peruvians (Government of Peru, 2015a). According to the National Household Survey (2013), the percentage of poor people in the Amazon indigenous population was still 60.5%, compared to 34.8 % in the Quechua population, 48.4% in the Spanish-speaking rural population and 15.6% in the Spanish-speaking urban population.

The gap is even wider when one looks at extreme poverty: the percentage of people living in extreme poverty among the Amazon indigenous population is 27.6%, while it lies at only 1.1% for the urban population who speak Spanish and at 8.3% for the population of Quechua or Aymara origin (Government of Peru, 2015a). Similarly, the Human Development Index is lower in the districts with the largest indigenous populations, particularly in rural areas (Government of Peru, 2015a).

The results of National Household Survey (2013) also highlight the gaps in access to services between different indigenous groups. For example, only 3.1% of the Amazon indigenous population has access to potable water, sewerage and electricity utilities, while overall 76.8% of non-urban indigenous people have access to these utilities (Government of Peru, 2015a). A study based on the National Household Survey conducted by Yamada and Montero (2011) finds that households with indigenous characteristics not only reach lower levels of access to public services, but also lower rates of successful completion of formalities.

Gender inequality

With a value of 0.387 in the 2013 Gender Inequality Index, Peru ranked 77th out of 149 countries (UNDP, 2014a). Only 21.5% of parliamentarians were women. While 66.1% of adult men reached at least a secondary level of education, significantly less women (56.3%) had reached this level. Female participation in the labour market was 68.0% compared to 84.4% for men (ibid.).

Gender-related gaps in income also persist. Even though the revenues of both men and women have increased over the last decade, the gender gap has not narrowed. Nowadays, working women in urban areas earn on average 70% less than men (PEN 1 118 a month for a woman to PEN 1 747 in the case of a man) – the same difference as ten years ago (OXFAM, 2014). Furthermore, only 5% of mayors were female and the percentage of female ministers was 18% in 2009 (Inter-American Development Bank, 2010).

In sum: A need for better governance

The socio-economic challenges identified in this section have important implications for public governance. In order to address them, the state needs to be reformed. Priorities that will be discussed in the following sections include:

- the requirement for better co-ordination efforts led by the centre of government to articulate integrated multi-dimensional policy responses due to the increasing levels of complexity of the challenges the country and its people are facing
- the greater need for a more robust evidence base to improve policy design and long-term planning
- the need for a greater focus on regional development and better multi-level governance to ensure that policies are tailored to the circumstances and conditions in different places
- the need for a better connection between the budgeting process and the different policy agendas to adopt and implement reforms for inclusive growth that can be fully funded
- the requirement for a different and more advanced skillset in the state labour force due to the specificities of these challenges
- the need for better and greater citizen participation to ensure that policies adequately reflect the population's needs
- the need for better use of available data and information and communication to maximise access to, reach and quality of public services.

The government is aware of these challenges. In recent years, Peru has proposed a large number of policies to tackle the barriers to inclusive growth. Several ministries and public sector entities have presented valuable analysis on the current socio-economic challenges and set out objectives for the medium term (OECD, 2015a). These include:

- the Agenda de Competitividad 2014-2018
- the National Plan for Productive Diversification
- the National Strategic Export Plan
- the National Strategy on Development and Social Inclusion: "Incluir para Crecer"
- the "Plan bicentenario: El Perú hacia el 2021" (ibid.).

In particular, the "Bicentenary Plan: Peru to 2021" established concrete socio-economic development goals such as increasing per capita income between USD 8 000 and USD 10 000, doubling GDP between 2010 and 2021, multiplying the volume of exports by four in the period 2010-21, having an average annual growth rate close to 6% and an average annual investment rate of approximately 25%, maintaining an average annual taxation 5 points higher than GDP, and reducing poverty to less than 10% of the total population. The public administration will play a key role in achieving these ambitious targets.

Public governance for inclusive growth in Peru

To sustain past achievements and address the challenges outlined in the previous section relating to growing inequality and remaining high levels of spatially and ethno-culturally concentrated poverty, Peru needs to continue reforming its public sector to achieve more inclusive growth and strengthen the linkages between growth and equity. OECD research (2015b) shows that public governance plays an essential role in achieving sustainable economic growth and narrowing inequality in all its dimensions. Government capacity and quality of government have strong effects on almost all standard measures of well-being, and on social trust and political legitimacy. Governance failures lead to increasing inequalities (OECD, 2015b) while good governance can contribute to a more equal society.

The next section introduces the OECD approach to inclusive growth. It then discusses the main challenges faced by Peru's public sector in key areas of public governance and explains how public governance reform can help Peru address the challenges associated with the middle-income trap, fight inequality, and improve living conditions and well-being for all Peruvians.

Good governance matters for inclusive growth

Governance matters for achieving sustainable, inclusive economic growth. There is a broad evidence-based consensus that good governance is key for a number of important policy outcomes at the national and subnational levels, including but not limited to social cohesion, public expenditure efficiency or control of corruption.

Coase (1960) argues that good institutions, such as strong property rights, reduce transaction costs and consequently support economic development. Similarly, North (1991) contends that institutions that strengthen contract enforcement are necessary to economic development. More recently, Rodrik, Subramanian and Trebbi (2004) empirically found that the quality of institutions is more important for growth than geography or trade. Other scholars (e.g. Acemoglu and Robinson, 2012) argue that institutions, including an efficient public sector and absence of corruption, are the fundamental drivers of economic growth (OECD, 2015b).

Inclusive institutions ensure that markets are functional and open to competition, and allow for broad citizen participation, pluralism, and an effective system of checks and balances, leading to better access to services and opportunity. Cross-country evidence shows that inclusive governance can improve development outcomes, such as better literacy and health, or lower infant mortality (e.g. Halperin, Siegle and Weinstein, 2010; Evans and Ferguson, 2013). Rajkumar and Swaroop (2002) also find that, for example, corruption disproportionately denies the poor access to education and health services.

Public governance is an essential lever for high-impact public spending, which in turn enhances the potential of economic policies aimed at inclusive growth. For example, stakeholder engagement and consultation can help identify needs and preferences, better targeting government programmes and increasing efficiency. Public governance also affects the quality and efficiency of public investment. In this respect, strengthening inclusive institutions has great potential to enhance citizen participation, provide better public services, reduce transaction costs, and – ultimately – reduce inequalities while promoting economic growth.

Box 1.1. The OECD's growing attention to inclusiveness and the cost of inequalities

Growing attention to inclusive growth is motivated to a large extent by rising inequalities across OECD countries and an increase – or remaining high levels – of poverty in many parts of the world, including in Peru (OECD, 2015b). Conventionally, an emphasis on "average economic growth" (such as GDP per capita) as a measure of performance relies on the assumption that the benefits of growth will necessarily trickle down to all social groups and deliver higher welfare to people. Recent OECD research has challenged this assumption, calling for a shift from the traditional binary approach of either growth or redistribution, to win-win policies where growth and equity go hand in hand (OECD, 2015e). This shift is not only conceptual, but also has practical implications for every aspect of public policy and is in line with the United Nations Sustainable Development Goals (SDGs) among which are to "promote sustained, inclusive and sustainable economic growth (…)" (SDG 8), "reduce inequality within and among countries" (SDG 10) and "promote peaceful and inclusive societies for sustainable development" (SDG 16).

OECD research shows that income and spatial inequalities, informality and low productivity are strongly affecting the prospect of inclusive growth in any country (OECD, 2015a). As outlined in the OECD publication *In It Together: Why Less Inequality Benefits All* (OECD, 2015d), high levels of income inequality not only raise social and political concerns, but also economic ones. Growth in material living standards affects income inequality, but the reverse is also true, so that the distribution of the benefits of growth matters for future prosperity (ibid.). Hence, inequalities tend to drag down GDP growth. In addition, high levels of inequality can entail large social costs, including those due to reduced social cohesion, eroded confidence in public institutions, and decreasing attachment to democratic processes and values.

In light of this, the OECD looks at development from a multi-dimensional perspective considering growth in GDP as only one element of a country's overall development: economic growth is only a means to an end: the sustainable and equitable improvement of people's lives (OECD, 2015a). Public governance plays a key role in this approach.

Last but not least, governance matters for well-being (OECD, 2015b). People are more satisfied with their lives in countries that have better governance. Actual changes in governance quality (understood as the way in which policies are designed and delivered) lead to large changes in the quality of life. Changes in average life evaluations in 157 countries over the period 2005-12 can be explained just as much by changes in governance quality as by changes in GDP, even though some of the well-being benefits of better governance are delivered through increases in economic efficiency and hence GDP per capita. The well-being payoff of improved governance in that period can be compared to a 40% increase in per capita incomes (OECD, 2015b).

Building resilient public institutions to pursue inclusive growth

This review identifies an overarching need to bolster the resiliency of public sector institutions in order for Peru's public sector and its public policies to become the drivers for inclusive growth. Public governance reform can help Peru address challenges such as the disparities between the coast and the Sierra/Selva, poverty of certain indigenous groups, and inequality faced by women and ethno-cultural minorities. While Peru has already started adopting important reforms to improve its public governance and proposed a large number of policies to tackle the public governance barriers to inclusive growth, further efforts – in particular with regard to their implementation – are needed to make reform happen.

Improving whole-of-government co-ordination lead from the centre of government (Chapter 2)

Pursuing inclusive growth calls for a whole-of-government approach that leverages informed decision making and aligns vision, incentives and delivery mechanisms across the policy-making cycle (OECD, 2015b). The centre of government (CoG) has to take a strong leadership and co-ordination role. This includes, for instance, the promotion of performance and accountability mechanisms that focus on outcomes and cut across administrative silos (OECD, 2015b). Translating multi-dimensional objectives like the fight against inequalities into concrete deliverables requires joined-up efforts that cut across policy areas and the ability to deal with complexity and to co-ordinate actions across administrative boundaries and levels of administration (OECD, 2015a).

In Peru, intergovernmental and inter-sectorial co-ordination within the government remains scarce, difficult, expensive and ineffective (Government of Peru, 2015a). This has implications for the government's efforts to tackle multi-dimensional challenges such as the ethno-cultural poverty in the Sierra and the Selva of the country which require a whole-of-government approach and better co-ordination among public institutions to determine priorities, and a better connection between the budgeting process and these agendas to adopt and implement reforms. But co-ordination mechanisms show limitations in their legal design and have no consensus for their implementation or, in practice, have been ineffective to achieve effective interagency and intergovernmental co-ordination which is essential to address the important socio-economic challenges the country is facing. The lack of clear articulation between national, sectorial, regional and local policies constitutes a further stumbling block to effective poverty alleviation and reduction of inequalities.

Chapter 2 of this review advises Peru on ways to enhance whole-of-government co-ordination led from the CoG to achieve improved service delivery and ultimately the country's inclusive growth objectives.

Enhancing performance management and strategic planning (Chapter 3)

The evidence base for policy making plays an important role in the achievement of inclusive growth objectives. Information gaps need to be filled, including on the distributional impacts of policies on social groups, so that a broader set of indicators can be identified to inform policy making and reinforce government implementation capacity (OECD, 2015b). The use of policy instruments for aligning inclusive growth objectives with resource allocation mechanisms over different time horizons can allow for the identification of trade-offs and complementarities among multi-dimensional objectives and evaluations of policy impacts on a wide variety of social groups (OECD, 2015b). Furthermore, strengthening available evaluation techniques and extending them into broader reaches of public policy can be essential to assess and communicate progress in delivering inclusive growth outcomes (OECD, 2015b).

In public institutions in Peru, planning as a tool to achieve medium- and long-term policy objectives such as the reduction of poverty, as outlined in the juntos programme, is yet to be established (Government of Peru, 2015a). In day-to-day governance, plans are considered a formality rather than a governance and management tool that allows facing the complex socio-economic challenges Peru is facing. Limitations in the capabilities of officials at different levels of government to develop a proper planning process impede the identification and prioritisation of key policies that could have an impact on the

quality of life of citizens, particularly of the most disadvantaged citizens, and foster inclusiveness (Government of Peru, 2015a).

Chapter 3 advises Peru on ways to confront these challenges and enhance performance management and strategic planning to achieve its inclusive growth objectives.

Strengthening multi-level governance to address multi-dimensional policy challenges (Chapter 4)

Multi-level governance is particularly important for policy coherence in the design and delivery of inclusive growth policies (OECD, 2015b). Across the OECD, many policies that have a significant impact on inclusive growth are managed at least in part by subnational governments. The almost 134 000 subnational governments in OECD countries are responsible for around 63% of public procurement, 59% of public investment and 40% of total government expenditure. A whole-of-government approach at the central government level (Chapter 2) will have a greater potential impact on inclusion if all levels of government are on board. Such a whole-of-government approach at national level towards a common goal requires adaptation of some actions tailored to circumstances in different places. The design and implementation of policies for inclusive growth therefore need to take into account the wide regional variations in conditions across the country.

As seen above, the Peruvian government has historically shown a relatively weak presence in rural areas, which is where most of the indigenous population is concentrated and where poverty, notably absolute poverty, is most pronounced. The decentralisation strategy – a laudable initiative started in 2002 – has not yet achieved its regional growth objectives and its ambitious aim to reduce regional disparities. In order to improve the living conditions of people living in the Amazon lowlands and parts of the Sierra, for instance, and provide equal access to public service to all Peruvians, a greater focus on regional development is needed. This includes stronger and better mechanisms for multi-level governance.

Chapter 4 of this review proposes actionable recommendations on how to foster multi-level governance in the context of Peru's decentralisation process in order to reduce poverty gaps and inequalities.

Reinforcing human resources management across the public administration to achieve inclusive growth objectives (Chapter 5)

Civil service management practices that ensure merit, professionalism, stability and continuity in staffing provide the foundations for an efficient and effective public sector that can promote strong, sustainable and inclusive growth. The multi-dimensional nature of inclusive growth outcomes calls for reinforcing the capacities of public servants to contribute to a whole-of-government view of interlinked and complex policy challenges (OECD, 2015b). Public performance is dependent on the quality, capability and motivation of public servants, which is particularly challenging in the context of inclusive growth. As responsibilities for inclusive growth outcomes lie across ministerial lines, the challenge becomes one of not only aligning senior civil servants' performance goals with ministerial expectations, but also incentivising co-operation and co-ordination across institutional silos. In parallel with aligning performance assessment frameworks to reflect the demands of increasingly horizontal work and encourage engagement, it is necessary to reconsider the capacities and skills needed to design, implement and assess inclusive growth policies (OECD, 2015b).

Peru faces significant challenges when it comes to the stability and resilience of its public workforce. The churn in key institutions is unusually high by international standards. This adversely affects the relationship between citizens and state institutions and contributes to the lack of institutional memory, which in turn hinders the implementation of whole-of-government long-term strategies to address key socio-economic challenges like the fight against poverty and the reduction of inequalities. The fact that civil servants respond to different labour schemes and comply with different rules, despite performing functions or exercising similar charges (Government of Peru, 2015a), further creates serious distortions in the payments and the applicable rights and duties, affecting the work environment, and hinders a whole-of-civil service approach to complex multi-dimensional challenges such as the "middle-income trap". The establishment of a stable and professional civil service will ensure that Peruvians are treated fairly and in an equitable manner across the country, regardless of regional, ethnic or political affiliation.

Chapter 5 of this review offers advice to the government on the implementation of the comprehensive whole-of-government civil service reform (SERVIR) that is being designed and implemented for HRM to become a strategic enabler of good governance.

Promoting the use of information and communication technologies and knowledge management systems and methods (Chapter 6)

Digital governance can play an important role in the attainment of inclusive growth objectives. Information and communication technologies (ICTs) offer opportunities for maximising the access, reach and quality of public services while empowering beneficiaries and communities (OECD, 2015b). For instance, the open government data (OGD) movement has increased the availability of a broad range of data that public organisations produce and collect while performing their tasks. Overall, the new digital environment offers opportunities for more collaborative and participatory relationships that allow relevant stakeholders to actively shape political priorities, collaborate in the design of public services, and participate in their delivery to provide more coherent and integrated solutions to complex challenges.

The main focus areas for e-government in Peru are related to improved management, inclusion and integrity within public agencies as well as bringing information and services closer to citizens. However, the Peruvian public sector modernisation strategies are not embracing a strategic view of digital government as instrumental to more open, innovative and participatory public sectors, despite the key role ICTs could play in providing access to public services and – given Peru's complex geography – in ensuring that all parts of the population can have a say in the policy cycle.

Chapter 6 of this review provides recommendations for the government to shift from e-government to digital government to create public value throughout the whole public sector ecosystem.

Harnessing open government to achieve inclusive growth objectives (Chapter 7)

Inclusive, open and transparent institutions are essential for shaping policies to deliver inclusive growth outcomes. Openness, accountability and citizen participation in decision making ensure that the needs, preferences and concerns of stakeholders, including underserved populations, are reflected in policy making (OECD, 2015b). An inclusive public sector can better represent and address the needs of society, while offering greater opportunity and capitalising diversity to boost public sector engagement and innovation (ibid.). OECD countries are increasingly mainstreaming stakeholder

consultation and engagement at different stages of the policy-making cycle, recognising that open government initiatives can lead to more effective policies, better targeted services and stronger accountability.

In Peru, efforts to foster open government and formalise transparency, while being high on the political agenda, have not yet been fully translated into effective policy and practice despite the important role they could play in addressing the country's socio-economic challenges. For instance, citizen participation has the potential to provide tangible improvements to people's lives but is still not used widely enough. Effective and efficient engagement mechanisms could become a key tool to ensure that all parts of the population, no matter where they live in the country, are involved in the policy cycle and receive the public services they need.

Chapter 7 of this review frames the relevance of open government initiatives within the broader framework of the ongoing public sector reform efforts Peru is undertaking, with specific reference to the challenges the government is facing in finalising its second Open Government Partnership Action Plan, and the role played by stakeholder engagement initiatives at the central and local levels and their role to guarantee better accountability and improve policy results.

Conclusion: Better governance and more resilient institutions for inclusive growth in Peru

The government of Peru is aware of the enormous socio-economic challenges it is facing if it is to succeed in moving the country and its society closer to the world's most advanced economies. Other countries that have been successful in meeting complex multi-dimensional policy challenges reform efforts have focused on maximising the public sector's resiliency for addressing these challenges effectively. Good public governance plays a key role in achieving better policy outcomes for citizens, in particular for the most vulnerable and poorest among them.

Declining levels of productivity growth associated with the middle-income trap, spatially concentrated ethno-cultural poverty (according to INEI [2013], 36% of the Amazon's indigenous population is still considered poor), and lower levels of education and insertion into the labour market of women, require establishing a stronger link between economic growth and equity and enhancing government capacity and quality of government. This involves building a more strategic Peruvian state that ensures long-term strategy-setting and implementation capacity in a dynamic and consistently changing policy environment.

A state's strategic agility emphasises leadership and stewardship from the centre, integrity and transparency, the importance of networks and institutions (both inside and outside government), the need to draw inspiration from subnational initiatives and citizens, and crucially, the importance of effective implementation and performance monitoring of national strategy. This review assesses key governance areas as a means to offer advice on ways to enhance the government of Peru's strategic agility and responsiveness in meeting complex multi-dimensional policy challenges effectively.

In offering this advice, this review identifies international good practice that can help shape and define specific reforms for enhancing state capacity to design and deliver policy and services to citizens and business in all regions of the country in a way that addresses socio-economic development needs and achieves measurable results for people in every region of Peru. The review will provide concrete and actionable support to build resilient institutions, both nationally and locally, for the Peruvian state to become the driver of the country's efforts to make growth more inclusive.

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Chapter 2.

The centre of government in Peru

This chapter focuses on the centre of government (CoG) in the government of Peru, the institutional arrangements mandated to support the Head of Government and the Council of Ministers in exercising their stewardship over strategic decision making. The chapter builds on OECD experience in this area and underlines a shift from a primary administrative support function for the CoG to a position as strategic player with important responsibilities to foster vision, leadership and innovation across the public sector. The chapter concludes with a set of recommendations to strengthen the CoG.

Introduction

This chapter focuses on the centre of government (CoG) in the government of Peru, the institutional arrangements mandated to support the head of government and the Council of Ministers in exercising their stewardship over strategic decision making. In all countries, the CoG plays a key role in leading and co-ordinating the steering, implementation and performance monitoring of national strategic policy and budgeting at the executive level.

There is growing interest in the Latin American region on the role of the centre of government and how it works. The role of the CoG is closely linked to the role of the executive branch itself. The CoG seeks to lead co-ordination government-wide to harness the resources of the state to support the heads of government and of state in their pursuit of a strategic vision for the country and a mission to execute a mandate from citizens obtained through the democratic process to implement this vision.

The CoG's mission is to provide leadership in defining national strategy, address co-ordination challenges to overcome administrative silos across the government in setting and implementing strategy in a way that fully respects the country's fiscal framework, and promote whole-of-government approaches to defining and pursuing multi-dimensional responses to the complex policy challenges facing the country. Indeed, many of the challenges that governments face are transversal and multifaceted: they require responses that need to be crafted in a way that involves multiple public institutions and overcomes institutional and functional boundaries to achieve integrated policy outcomes effectively and efficiently and deliver results for people and businesses.

Despite differences between countries with regard to constitutional forms and administrative tradition, strong similarities exist with respect to the functions carried out by the CoG: facilitating the decision-making process by government, and in particular by the head of government, and overseeing the quality of the policy cycle, from policy development to implementation; from setting objectives and targets to monitoring and evaluating performance against results and outcomes.

Clearly defining and communicating the roles of CoG institutions, internally across the public administration and externally to civil society, is essential for enhancing the effectiveness and efficiency of co-ordinating public policy design, implementation and performance monitoring; this can boost the legitimacy of the government and its national strategy, and bolster public confidence and trust in the institutions of the state.

OECD experience suggests that the top priority tasks of the CoG are (OECD, 2014a):

- supporting decision making by the head of government, which in almost all countries involves blending dual streams of political and non-partisan policy advice
- policy co-ordination across government, which increasingly includes leading cross-departmental priority strategies
- monitoring progress in implementing reform, which means developing new mechanisms that emphasise outcomes rather than just tracking outputs and expenditures
- strategic planning, which is being redefined post-crisis as driving whole-of-government policy development and resource allocation
- managing government communications and its communication strategy

- managing relations with the legislature
- preparing the government's multi-year programme, national strategy or development plan.

CoG structures vary significantly across OECD countries. The make-up depends on a given jurisdiction's historical development, cultural context and constitutional framework. However, in most countries, the CoG is, in fact, polycentric, given its functional multiplicity. Indeed, OECD experience suggests that few if any countries possess a single institution covering all these functions (Box 2.1).

Box 2.1. **The structures of the centre of government**

It is rare to find just one institution covering all these functions in OECD member countries. It is far more common that a small set of key players share the task. Centre-of-government structures across OECD member countries vary significantly, depending on the historical development, cultural context and constitutional framework of a country. While not all the institutions are located under the direct purview of the executive, they may be considered to carry out key strategic functions for the government as a whole. In many countries, however, they can be identified in a combination of those units of the central administration that:

- **Provide direct support to the head of the government** (Prime Minister/President/ Chancellor's Office). In many countries, however, these offices are not equipped, and do not seek, to cover the whole of the centre-of-government function. They need the capacity to protect the authority and reputation of the Prime Minister/President "above the fray", without becoming too involved in the day-to-day management of specific policies. They may also consider their role to be more political than technocratic. They are often, however, the communication hub for government policy, and their usual role in managing the agenda of the Cabinet provides them with the key authority to set priorities for the attention of the Prime Minister/President.
- **Manage the budget.** This is normally vested in the Ministry of Finance. The budget can be viewed as key to understanding the government's fiscal framework and its financial operating systems. It is a key allocative document affecting a significant share of a country's GDP – over half in some OECD member countries. It is an important policy tool, used by governments to establish policy priorities in concrete terms through the allocation of funding. It is an important management document, in that the basic operational costs of government ministries and agencies are established. In short, the budget provides the basic operational architecture for the work of government. In some countries such as the United States, this function is located within the President's Office.
- **Responsible for key horizontal policies** including public administration reform and central HR policy, co-ordination of law drafting and better regulation policy, and e-government. This usually involves ministries such as the Ministry of Public Administration Reform, the Ministry of Finance, the Ministry of the Interior and the Ministry of Justice, although in a number of countries parts or all of these functions are located in the Prime Minister's Office.
- For EU member countries, the participation of any dedicated **EU oversight unit for the negotiation and implementation (transposition) of EU directives** is essential, since these play a major part in shaping the legislative and policy landscape of member countries.

Box 2.1. **The structures of the centre of government** (*continued*)

- **Emergency and crisis management**. In most countries, a crisis management cell exists within the centre of government, and the functions of co-ordinating emergency measures are often located within a Cabinet office or its equivalent for the major crises.

Some of these units or institutions need to co-ordinate especially closely (or be the same unit):

- There is a crucial interface between **regulatory policy and the management of the Cabinet agenda**, since a well-functioning regulatory policy implies the development of regulatory impact assessments (RIAs) on draft legislation. In countries where policies are usually synonymous with laws, the unit responsible for RIAs needs to work closely with (or be the same unit as) the unit that sets the Cabinet agenda.
- There is also a crucial interface between **HR management and budget management**, in that performance budgeting and staying within fiscal targets implies staying within budget for HR managers.

Source: OECD Public Governance Reviews.

In most countries, the CoG functions as a central leadership hub, directly supporting the head of government as well as the Cabinet in exercising its responsibilities for setting and executing whole-of-government strategy, including defining and managing the country's fiscal framework and budget, government operations and administration including workforce management, government relations with regional and local authorities, justice and security matters, and advancing the country's strategic interests on the international stage (Box 2.2).

Box 2.2. **The functions of the centre of government**

The key function of the centre of government (CoG) is to act as a central leadership hub in order to facilitate co-ordination, collaboration and co-operation across the public administration, with the objective of securing a strong, coherent and collective strategic vision of where the country needs to go and how it will get there. Leadership is needed to champion and promote reforms, and to generate and manage interdependencies across the administration so that collaboration is the default option, not the exception. Leadership is also needed to change the way in which the public administration conceives its role and to encourage widespread "buy in", so that the strategic vision for a country is implemented. An effective centre of government is critical for:

- **Strategic vision.** The centre of government needs to be able to pull together long-term, big picture objectives for the economy and society. Examples might be an objective to minimise poverty and unemployment, to promote a sustainable environment, or to diversify the basis of economic activity in support of growth. These objectives both shape and reflect public sector and societal values. Constitutional requirements and objectives are likely to be relevant. The vision needs to be owned and promoted by all parts of the public sector, as a "whole-of-government" vision.
- **Accountability.** The centre of government is the steward of the strategic vision. It is accountable for overall results and oversight of delegated responsibilities. It is important, however, to avoid overly rigid "command and control" structures and micro management, and instead to work toward a system where the centre of government can exert effective oversight and clarify lines of accountability. Line ministries also need to exercise leadership for the actions and policies for which they are responsible, within the overall framework of a shared or collective commitment.

Box 2.2. **The functions of the centre of government** (*continued*)

- **Strategic planning, policy coherence and collective commitment.** The centre of government needs the capacity to give the strategic vision specific shape, to secure its coherence and to make it operational. A starting point is likely to be the government programme or equivalent, giving effect to the political manifesto of the party or parties in power. Making the strategic vision operational is key, otherwise the vision is a "dead letter". The doctrine of collective responsibility is crucial to bind line ministries as well as the centre of government to a course of action. Collective commitment is also, crucially, built, developed, discussed and agreed by the whole range of actors that are engaged in public policy making, implementation and service delivery.

- **Communication.** The centre of government needs the capacity to communicate the strategic vision, how it is being taken forward and its implementation. Transparency and openness help to promote a shared sense of purpose, for stakeholders outside as well as inside the government. Clarity of communication within the administration is important, so that, for example, local governments can understand the vision and share in its construction and so that all parts of the public sector understand their role, responsibility and accountability for results.

The sustainability of the centre of government across political cycles needs attention. CoG institutions are best constructed, as far as possible, to withstand the vagaries of the political cycle and to be sustainable over the periods of time that it takes to implement long-term strategies. Stability of core functions and structures will raise confidence that the vision is taken seriously, and that the country will have the institutional capacity, over time, to carry out the vision. In this respect, a number of countries involve a certain level of foresight attached to the centre of government, in the form of a strategic foresight or planning body, which helps to project a forward-looking vision for the country.

Although not a direct function of the CoG, external oversight and audit help to ensure that the strategic vision and its implementation stay on track and that the centre of government – together with other actors – is accountable for progress, and can be challenged for the lack of it. In many European countries, the national audit office provides valuable independent perspectives not only on the efficiency but also the effectiveness of government policies. For the development of new laws and policies, some European countries have established external watchdogs (made up of stakeholders external to the government) to advise on, and challenge, proposals if these have not been developed with due care and attention.

Last but not least, the first line of engagement of an effective centre of government is to project and share policy priorities in key areas with the relevant ministries, and to ensure that these policy priorities are coherent and joined up. "Joined up government" – the capacity to ensure that complex policy objectives can be met, and that the achievement of high-level policy goals are not undermined by a failure to deal with this complexity – is often weak. Ensuring policy coherence is a major public governance challenge across all OECD member countries. A united position on cross-cutting policy goals is essential if governments are to sustain their credibility, meet their strategic objectives, and if goals are to be achieved without wasting resources. It does not serve the public interest if one part of government fails in its role in policy delivery; and it is directly contrary to the public interest if one action of government is counteracted or undermined by an action taken by another part.

Sources: Insights from OECD Public Governance Reviews; OECD (2011a), *Regulatory Policy and Governance: Supporting Economic Growth and Serving the Public Interest*, http://dx.doi.org/10.1787/9789264116573-en.

The Peruvian context

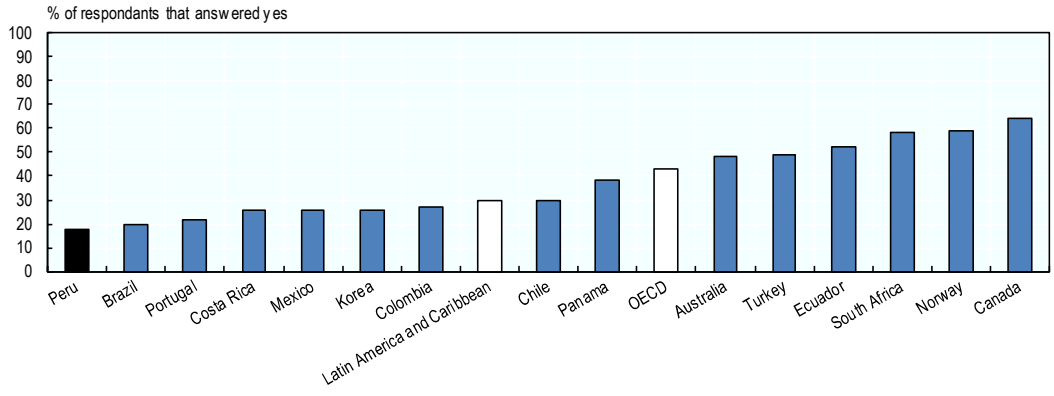
As described in Chapter 1, Peru is a democratic republic with a unitary state, governed by the principle of separation of the branches of powers, which, according to the Constitution, comprise the executive branch, the legislative branch and the judicial branch. The executive branch's public administration is made up of the central government, represented by the President of the Republic and 19 ministers, 25 regional governments and 1 866 local governments (196 provincial municipalities and 1 671 district municipalities).[1]

The executive branch is responsible for the administration of the state. Its main functions are to:

- regulate laws, monitor and evaluate their implementation and compliance
- plan, implement and evaluate national and sector policies in accordance with state policy
- establish relationships, seek consensus, provide technical assistance and develop mechanisms for co-operation among all public administration entities
- implement co-ordination with regional governments and local governments, with an emphasis on shared competencies.

Despite significant progress in the economic and social development of the country, negative perceptions of Peru's institutions among the population remain high (Figure 2.1). Public institutions are perceived as ineffective in achieving their goals, non-transparent in how they act and unaccountable for their results. Confidence in institutions is a key pillar of the governance dimension in the OECD well-being framework.

Figure 2.1. **Confidence in the national government**



Source: Gallup World Monitor Database, 2015.

One of the main challenges identified by the Peruvian government is to improve its ability to provide effective, efficient and transparent quality public services, in accordance with the needs of citizens, creating conditions that lead to greater and more inclusive economic and social development. However, evidence[2] suggests that past efforts to improve the government's ability to provide quality public services were pursued in isolation, outside of any whole-of-government strategic framework or guidance from the centre. Indeed, intergovernmental and cross-sector co-ordination within the Peruvian government is apparently scarce, difficult, expensive and ineffective. Existing co-ordination

mechanisms show limitations in their legal design; no consensus exists across the system regarding their utility or their use. As a result they remain ineffective in practice. Administrative systems and organisations act independently, without taking into consideration the regulations of other management systems. This siloed pursuit of policy agendas has not generated expected results for the achievement of objectives.

Legal framework

Under the principles established in the political Constitution, the executive branch's powers are regulated by Organic Law 29158 passed in 2007. It established "(...) the principles and basic rules for the organisation, competences and functions of the executive branch, as part of the national government and the requirement that the entities comprising it will adapt to these new rules, considering the principle of citizen service, thus deepening the process of decentralisation and modernisation".

This law also created the Public Management Modernisation System and stated that the executive branch has the supervisory role to implement and manage it. The Presidency of the Council of Ministers (PCM), the government's main CoG institution reporting to the head of government and serving the head of government and Cabinet, is responsible for co-ordinating and directing the process of modernisation and defining and evaluating proposals for improvement.

It was within this process of government reform that in September 2010, the Strategy for Modernisation of Government Management was approved by Supreme Decree No. 090-PCM:[3] "(...) it was established as a generic strategy, the undertaking of a transformation into an orderly, gradual and well-controlled governance model developed by all entities of the Peruvian government, which implies moving from a functions-driven management model to a processes-driven management model."

The executive branch

The institutions of the executive branch (*Poder Ejecutivo*) are the President of the Republic, the Council of Ministers, the PCM, the ministries and the executive branch's public entities.[4] The Ministry of Economy and Finance (Ministerio de Economía y Finanzas, MEF), *inter alia* custodian of the country's fiscal framework, and the PCM constitute the core of the CoG in Peru:

- The President of the Republic: as is the case in some OECD countries – in France, for example – the President is simultaneously the head of state and head of government in Peru. His/her main responsibilities as head of state are, *inter alia*, to apply and enforce the Constitution, represent the state, and direct foreign policy and the army. Law 29158 on the Executive Branch establishes the President's main functions as head of government:
    - direct and approve general government policy
    - initiate legislative actions, on approval of the Council of Ministers
    - proclaim laws approved by parliament
    - manage the public finances with responsibility and transparency
    - approve urgent decrees
    - nominate senior officials
    - speak in the name of the government.

- The Council of Ministers: the Council of Ministers, or Cabinet, is composed of ministers appointed by the President. Within the framework of the Constitution and the Organic Law on the Executive Branch, its powers include:
  - co-ordinate and evaluate the government's global policy, as well as the approval of national, single- and multi-sector policies
  - approve regulations on issues of public interest
  - promote the development and welfare of the population.
- The President of the Council of Ministers: the PCM is responsible for the co-ordination of the national and sector policies of the executive. The PCM, after the President, is the government spokesman and co-ordinates the duties of the other ministers. Although not head of government under the Constitution, the President of the Council of Ministers in practice plays the role of a Prime Minister as co-ordinator of government decision making undertaken by the Council of Ministers. In accordance with the Organic Law on the Executive Branch, the President of the Council of Ministers proposes the objectives of the government within the framework of the general policy of the government. His/her main functions are to:
  - support the President of the Republic in the management of the global government policy
  - chair the Council of Ministers meetings whenever the President of the Republic is absent
  - develop and manage relationships between the executive and the other branches of government, constitutional agencies, other levels of government and civil society
  - promote social participation and consensus in public governance on issues of national interest
  - co-ordinate the strategic planning under the National Strategic Planning System
  - chair the Intergovernmental Co-ordination Council, comprising the presidents of the country's regional governments and a representative cross-section of mayors, in order to strengthen the decentralisation process (see Chapter 4).
- Ministries: ministries design, establish, implement and monitor national and sectorial policies, assuming their supervision. Ministries are headed by ministers who are responsible for the direction and management of public affairs within their jurisdiction. In this regard, the executive branch is composed of 19 ministries, of which 18 are sectorial and 1 is the PCM. Some of their main functions are to:
  - Define, plan, co-ordinate, implement, monitor and evaluate national and sector policy under their jurisdiction, applicable at all levels of government.
  - Comply with and enforce the regulatory framework related to their field of competence.
  - Monitor, evaluate and otherwise follow up on their portfolio's performance and achievements at the national, regional and local levels.
  - Co-ordinate with regional and local governments to implement national and sector policies under their responsibility, and assess compliance.

- Provide technical support to regional and local governments for the proper performance of decentralised functions. This is to be performed using the guidelines of the Decentralisation Secretariat of the PCM.

The MEF is head of a core constituent institution of the CoG in Peru and, either alone or in partnership with the PCM, works closely with all line ministers and ministries to implement the national budget and its associated programming. The MEF is described in greater detail below, as well as in Chapter 3.

The National Agreement Forum

The National Agreement Forum (*Acuerdo Nacional*) was created in 2002 as an autonomous forum by Supreme Decree 105-PCM.[5] This national forum was established to consolidate democracy through national dialogue. It focuses on broadening and deepening consensus on a non-partisan vision for the country to anchor political stability and achieve sustainable inclusive growth. Although not part of the executive branch, the forum involves the participation of the President of the Republic, the President of the PCM, seven political parties represented in the Assembly and seven national civil society organisations. According to the Technical Secretariat of the National Agreement Forum, most of the national policies approved by the executive branch are based on the forum's state policies.

Dialogue at the forum focuses on the following thematic areas, based on consultations and workshops, in order to identify broad directions for the course the country should follow to achieve sustainable development and democratic governance. These themes are:

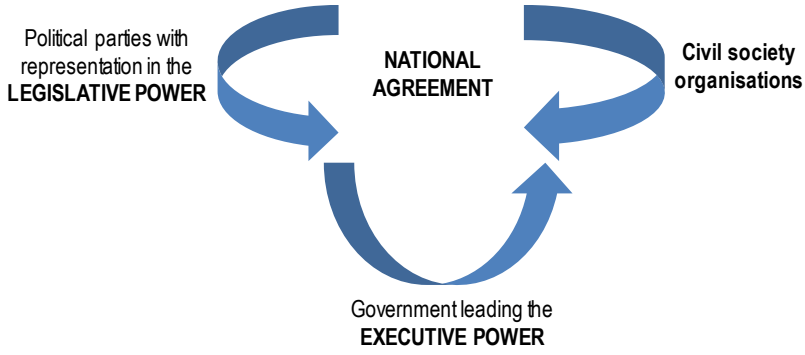
- democracy and rule of law
- equity and social justice
- national competiveness
- an efficient, transparent and decentralised state.

The forum also monitors and oversees the implementation of state policies. Each of the 34 state policies in the National Strategic Plan has goals, indicators and proposed regulation up to 2021. The two latest monitoring reports on the National Agreement's website date from 2008 and 2014.

The report from 2008 had a more quantitative approach, including statistics and different indicators. In 2014, the report contained more than 100 testimonies and comments from stakeholders and political figures, such as Peru's former presidents and previous heads of the PCM. Participants were invited to give their opinion on the relevance of the National Agreement in the political scene of the country, as well as its weaknesses and upcoming challenges.

This forum has a tripartite composition: it includes representatives of the government (*ad honorem*), the political parties represented in Congress and organisations representing civil society at the national level. The forum has an Executive Secretariat, attached to the Presidency of the Council of Ministers. A 2015 publication summarised the achievement of this forum in its first dozen years of existence.[6]

Figure 2.2. **Peru's National Agreement Forum**



Source: Acuerdo Nacional.

The centre of government in Peru

The Presidency of the Council of Ministers

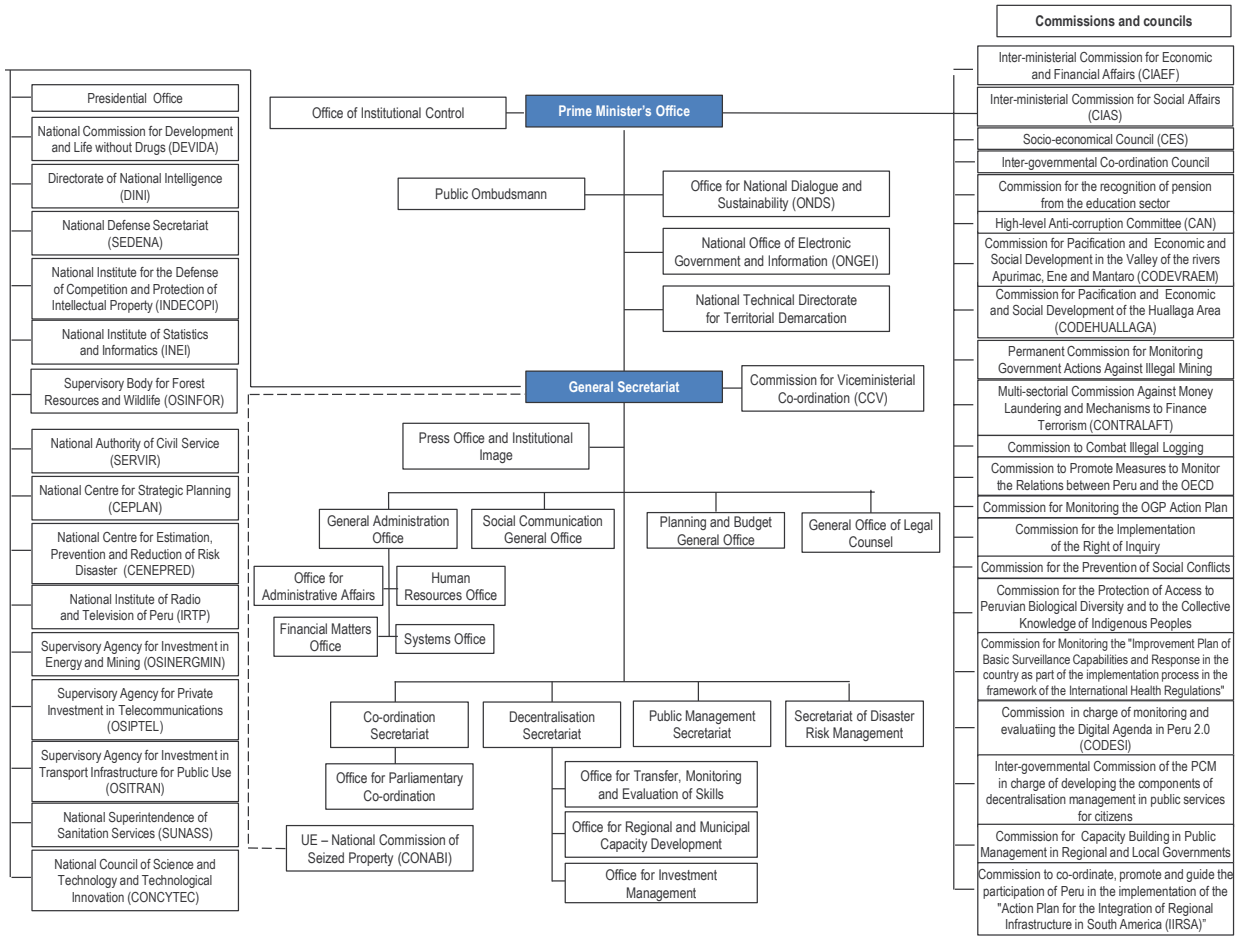
The CoG unit serving the President of the Council of Ministers and Cabinet is the Presidency of the Council of Ministers (PCM). The PCM houses a large number of public entities, secretariats and commissions. It also manages different line agencies and various public entities. In addition, it oversees special commissions created to address specific issues.

The PCM is composed of offices that are formally part of the PCM (such as the secretariats), and 16 arm's-length public bodies (such as the National Directorate of Intelligence [DINI], the National Civil Defence Institute [INDECI] and the National Institute of Statistics and Informatics [INEI]). Out of this large number of secretariats and public bodies that make up the PCM, only seven play key CoG functions:

- The Co-ordination Secretariat co-ordinates and monitors the implementation of the government's multi-sector policies, programmes and projects according to Article 26 of the Organic Law of the Executive Branch (No. 29158) and to Articles 4 and 6 of Ministerial Resolution No. 251-2013-PCM. Under the mandate of the PCM's Secretary General, the Co-ordination Secretariat also supports the Vice-Ministers' Coordination Committee. Vice-ministers, on behalf of their ministers, formulate, co-ordinate, implement and monitor sector development policies under their competence in accordance with national policy. Within this framework, the Co-ordination Secretariat is in charge of adjudicating multi-sector issues between vice-ministers. The secretariat also manages relations between the executive and the legislative branch, and with autonomous bodies and other institutions.
- The Decentralisation Secretariat is responsible for managing the decentralisation process and for co-ordinating and articulating the government's general policy with the regional and local governments (see Chapter 4). In late 2014 it published the general guidelines for the elaboration of institutional reports for the formulation of the Annual Report on the Decentralisation Process. In April 2015, with the support of USAID, it published its first annual report for the year 2014. It comprises three offices focusing on:

- the transfer, monitoring and evaluation of competencies to subnational governments
- the development of regional and local capacities and inter-governing relations
- investment management.

Figure 2.3. **Organisational chart of the PCM**



Source: Government of Peru (2015); responses to the OECD questionnaire carried out for this review.

- The Public Management Secretariat (*Secretaría de Gestión Publica*, SGP) manages the government's public administration modernisation agenda; it is responsible for the co-ordination, monitoring and evaluation of the National Policy on Public Management Modernisation. It proposes standards relating to the structure of government, and issues opinions on the creation, deactivation or merging of public entities.
- The Centre for National Strategic Planning (CEPLAN) manages the National Strategic Planning System. It formulates the National Strategic Development Plan (*Plan estratégico de desarrollo nacional*, PEDN), by leading multi-sector, inter-agency and intergovernmental co-ordination across the executive's agencies (see Chapter 3). CEPLAN advises government entities (especially the Presidency of the Council of Ministers) and regional and local governments on the definition, monitoring and

evaluation of policies and strategic development plans to ensure coherence with the objectives of the National Strategic Development Plan. CEPLAN also promotes synergies between public, private and civil society organisations and carries out the monitoring and evaluation of government's strategic management.

- SERVIR, the National Civil Service Authority, is responsible for designing and leading the implementation of the government's civil service reform strategy in the central and subnational public administration. This strategy is an integral component of the government's public management modernisation agenda, and aims to professionalise the civil service at all levels of government using the principles of merit and equal opportunities to enhance the government's capacity to attract individuals who are qualified for key positions in each institution. Chapter 5 discusses SERVIR and the civil service reform strategy.
- The General Co-ordinator of the High-Level Commission against Corruption (CAN) manages Peru's national integrity policy and co-ordinates the regional anti-corruption commissions in each region.
- The National E-Government and Information Technology Office (ONGEI) manages the National Information Technology System and co-ordinates the implementation of the National Policy on E-Government and Information Technology (see Chapter 6).

Other key CoG-relevant units in the PCM include the Office of the President of the Republic and the Social Communications Office.

With so many agencies and secretariat units whose mandates are unrelated to leading the co-ordination of whole-of-government strategy setting and implementation, the PCM is unwieldy, with too many different mandates under its responsibility. In practice it faces difficulties in exercising its strategic co-ordination role effectively both horizontally across the central government and vertically with subnational governments. Most of the areas covered by this review illustrate this challenge, including strategic planning and performance monitoring, open government and integrity initiatives, decentralisation, digital government and the civil service modernisation initiative.

The Ministry of Economy and Finance

As a core constituent institutional member of the CoG in Peru, the Ministry of Economy and Finance works closely with all line ministries and acts as their most frequent partner.

Led by the MEF, Peru has adopted performance-based budgeting (see Chapter 3). According to General Law 28411 of the National Budget System,[7] the performance budget is a public management strategy that links the allocation of resources to measurable outputs and outcomes in favour of the population. Most of the budget is organised in programmes, as budgeting units carried out in fulfilment of functions assigned for society's benefit. This is implemented by the MEF's Director General of the National Budget in four instruments:

1. budget programmes
2. performance monitoring
3. independent evaluations
4. management incentives.

Peru's National Budget System[8] is developed by the Director General of the National Budget and benefits from the contributions of sector budget units in the ministries and public entities. All entities make an effort to improve the link between the budgeting and strategic planning processes, in particular at the institutional level. However, as Chapter 3 underscores, co-ordination between CEPLAN and the MEF's Director General of the National Budget remains weak; the PEDN and the MEF's multi-year fiscal framework have yet to be meaningfully linked, and performance information on national spending under the budget programmes is not used to inform the PEDN or successive iterations of the national budget.

In addition, the MEF also reports annually on three-year budget programming allocations, based on the Macroeconomic Framework (*Documento Marco Macroeconómico Multianual*) and the programming of the different entities of the three levels of government. The 2016-18 budget was approved in August 2015. This multi-annual approach is referential, and is adjusted annually.

Performance budgeting and multi-year programming

Fiscal policy in Peru has gained credibility over the last 15 years. The Fiscal Responsibility Law, passed in 1999, has been effective in strengthening public finances and reducing public debt. Since 2002, the management of fiscal policy has significantly improved, achieving several consecutive budgetary surpluses (IMF, 2015), together with low government debt and large public investment rates (see Chapter 3).

A modern government to better serve the public requires that its public financial resources be allocated in a results-oriented manner; that is, according to the results that people expect to receive from the products and services funded with public resources to meet their demands. The performance budgeting strategy of the MEF aims at linking financial planning and budgeting (see Chapter 3).

- In 2013, Peru approved a new macro-fiscal framework incorporating medium-term fiscal objectives and introducing counter cyclicality into the budget planning process by focusing on the structural balance. In addition, fiscal transparency has been enhanced by frequent and efficient fiscal reporting.
- According to Shack (2008), medium-term fiscal frameworks aim at extending the planning horizon of public policies beyond the annual budget cycle, but without the characteristic deficiencies of medium-term development plans. This is a major budgetary reform that is being implemented by many OECD countries. The majority of Latin American countries have adopted it in the last 10-15 years, to complement the classical fiscal rules.
- In the presence of sizeable increases in revenue windfall in Chile, Colombia, Mexico and Peru, the introduction of medium-term fiscal and expenditure frameworks created the necessary budget discipline to manage expenditure in an anti-cyclical manner.

In this area, Peru is one of the few countries in the region that has embarked on a path of result-oriented financial prioritisation in order to increase the effectiveness of allocative decision making on public spending. This enables the use of budget output and outcome information for resource allocation purposes. Various forms of performance budgeting are widely implemented in OECD countries, but its use has also shown some of its limitations and there is currently no consensus on how best to use it. The OECD has identified three broad categories of performance budgeting: presentational performance budgeting, performance-informed budgeting and direct performance budgeting (see Chapter 3).

In the case of Peru, the main objectives are to:

- link budget allocation of resources to final programming output and outcomes
- increase transparency and accountability, through a clear definition of responsibilities.

Peru is implementing this process gradually, through four instruments: budget programmes, performance monitoring, independent evaluations and management incentives. A development in the information system is also needed, and over the past year the MEF has been working on its revision, together with a better definition of performance indicators, introducing satisfaction surveys and performing an evaluation of programme design, implementation and impact (see Chapter 3).

While use of performance budgeting varies greatly across countries, almost all OECD member countries now use non-financial performance targets/measures in their budgeting methodology. This usually involves the government developing a framework through which objectives can be set and performance indicators can document results:

- In some countries, objectives and indicators are developed as part of an overall strategic plan for the government; in others, objectives and indicators will be set and monitored according to priorities in a particular policy area.
- In practice this means a number of things. This information can be used to gain insight into how different programmes contribute to the achievement of the government's policy goals. Depending on the type of performance information, this can also help explain why some programmes do or do not work, and whether they represent value for money to the taxpayer.

Beyond generating output- and outcome-based performance information in the national budget, other tools to generate fiscal room to support emerging policy priorities include creating policy reserves and contingency funds. OECD experience suggests that whole-of-government evidence-based decision making tends to lead to greater effectiveness and efficiencies in achieving strategic outcomes (Box 2.3):

- A robust, integrated knowledge base informing strategic decisions across government allows for a wide range of policy benefits, including importantly a deeper understanding of the policy challenges and opportunities facing society (on different time horizons), the impact of proposed policy "solutions", and whether policy interventions are achieving the expected results for society.
- A broader definition of public results should be considered (Bourgon, 2011 in OECD, 2015b), one that encompasses agency results, system-wide results and societal results – which are most meaningful for citizens.
- To this end, the effective integration of evidence into all aspects of the policy cycle, i.e. *ex ante* and *ex post*, can help governments achieve strategic outcomes while guiding strategy setting and implementation over the medium and long term.

Box 2.3. **Evidence-based decision making: A key aspect of a strategic state**

Since the launch of the first *Government at a Glance* in 2009, the OECD has been advocating evidence-based policy making with the view that coherent policies require governments to take account of all pertinent information. This implies that governments assess the benefits of policy proposals in relation to the future costs as well as their interaction with structural reforms. Evidence-based policy analysis allows for decisions aimed at implementing and steering strategy to be taken in the country's medium- and long-term interests, based on evidence derived from strategic foresight and environmental scanning that correctly identifies domestic and international short- and long-term challenges and opportunities, on performance assessment that allows for judicious prioritisation of expenditures to achieve the best results with the least resources, and on individual issues being analysed within a broader strategic framework.

Insights from recent OECD Public Governance Reviews identify key areas for evidence-based decision making:

- performance-informed budgeting as a means to support evidence-based decisions on resource allocation
- analytical capacity within ministries to carry out evidence-based policy analysis and implementation
- use of evidence-based impact assessment to secure the coherence and effectiveness of policies, laws and regulations
- prioritisation of key issues for assessment
- internal (and external) consultation to share issues and secure feedback.

Throughout the OECD, good governance practice suggests that policy should be based on sound evidence derived from rigorous analysis of the available facts. Governance practices determine how evidence contributes to identifying policy options. The 2012 OECD *Recommendation of the Council on Regulatory Policy and Governance* provides a framework for the making and updating of rules and regulations. This evidence needs to be available at the right time and be seen by the right people. OECD practice suggests that the following major ingredients are needed to obtain and use the "right evidence":

- a sound methodology that allows for proper consideration of the immediate and long-term nature of the issue and of the rationale supporting different options for policy intervention (including doing nothing)
- good data for analysis
- public access to the data, assumptions and methodologies used to frame the issue and identify options to address it, so that scrutiny can be brought to bear and the analysis replicated independently
- time to carry out this analysis properly and to consult the general public on its results
- a capable and skilled public service including people skilled in quantitative methods
- a "receptive policy-making" environment: that is, political leaders who are willing and able to decide on the basis of the evidence presented.

Sources: Banks, G. (2010), *An Economy-wide View: Speeches on Structural Reform*, www.pc.gov.au/news-media/speeches/20100329-structural-reform-compendium; OECD (2009), *Government at a Glance 2009*, http://dx.doi.org/10.1787/9789264075061-en; OECD (2012b), "Strategic insights from the Public Governance Reviews based on findings from Ireland, Finland, Estonia, Greece, Slovenia, France, Poland, Hungary"; OECD (2012a), *Recommendation of the Council on Regulatory Policy and Governance*, www.oecd.org/governance/regulatory-policy/49990817.pdf.

As the next section points out, and as highlighted in Chapter 3, however, performance budgeting is not linked to national strategic planning, which limits its utility as a tool to enable the government to monitor the impact of spending decisions on progress in improving national strategic policy outcomes identified in the multi-year strategic plans. This also reflects the practical limits to the PCM's whole-of-government co-ordination capacity, notably the challenges it faces in partnering effectively with the MEF and linking national strategic planning to results-based budget planning and execution, so that the government can measure, and report on, progress in improving outcomes for citizens through its strategic policy and spending decision making.

Policy-making instruments and practices

The structure of government is relatively fixed, as only the President can change the structure through a law approved by parliament. That said, downsizing and reorganisation only requires a supreme decree, with the approval of the Council of Ministers. The same logic applies for public agencies attached to ministries. Yet in 2011, Law 29792 created the Ministry of Development and Social Inclusion (MIDIS). Due to this reform, another law was passed turning the Ministry of Women's Affairs and Social Development into the Ministry of Women's Affairs and Vulnerable Populations (MIMP). So, in practice, although the process is rigid and demanding, key changes make their way into the political agenda and reorganisations do eventually take place.

Policy formulation is led by the President

The Peruvian Constitution establishes that the President of the Republic defines the government's priorities and strategic plans, national policies and programmes, while the President of the Council of Ministers co-ordinates implementation:

- Under the framework of the Organic Law of the Executive Branch (No. 29158), the President of the Republic leads the general government policy and the President of the Council of Ministers has the role of co-ordinating the required actions to implement it. The Council of Ministers approves national policies.
- Policy implementation is carried out by ministries. They lead the co-ordination of these efforts across administrative boundaries when applicable, together with the Secretary of Co-ordination in the PCM. At the same time, CEPLAN provides technical and methodological assistance in strategic planning, while the MEF formulates budgetary policy and fiscal performance objectives.

Co-ordination mechanisms exist, but focus on policy execution

The Organic Law of the Executive Branch establishes the main co-ordination in the central government (horizontal co-ordination) and between levels of government (vertical co-ordination). According to Articles 32, 33, 38 and 39 of Supreme Decree No. 063-2007-PCM, these processes are organised by the Secretariat of Co-ordination and the Decentralisation Secretariat of the PCM. Horizontal co-ordination mechanisms include:

- Inter-ministerial commissions, such as the Commission on Economic and Financial Affairs, and the Commission on Social Affairs, co-ordinate broad national multi-dimensional strategies in their respective areas.

- Interregional co-ordination boards (see Chapter 4) co-ordinate projects involving several regional governments, as well as decentralised government associations, e.g. the National Assembly of Regional Governments (ANGR) or the Association of Municipalities of Peru (AMPE).
- The Vice-ministerial Co-ordination Commission (CCV) is an active and useful body for co-ordination of regulation projects, as mentioned above. The 35 vice-ministers debate various sector programmes and strategies; the commission acts as a screening process for technical discussion on draft regulations before they are submitted to the Council of Ministers for approval.

The CCV is, in fact, now recognised for its relevance and usefulness as an active forum for technical discussion of regulatory projects. In 2013, the institutionalisation of the CCV was strengthened; the PCM's Co-ordination Secretariat, within its functional framework, provides technical support to the commission. This has led to the following achievements:[9]

- enhancement of the effectiveness and timeliness of regulatory approval of projects by the CCV
- an increase in the number of norms passed in less time
- greater security and fluency/access to information in real time on regulatory projects
- more reliable information on regulatory projects fed to the CCV
- strengthening of inter-sectoral co-ordination at the PCM and vice executive branch levels
- strengthening of the strategic and operational co-ordination of the CCV with the Cabinet, to support and facilitate the adoption of norms of interest to government and society
- a greater sense of ownership built with the vice ministers
- continuity in the conduct of meetings of the CCV (physical or virtual attendance).

These achievements are important, not only because of practical improvements in the quality and timeliness of support the commission can provide to the Council of Ministers, but because they appear to be contributing to building a sense of "community" and common purpose among the group in serving a "single government" and the public interest.

In addition, as mentioned above, the National Agreement Forum provides a forum for national actors from the executive branch and beyond to engage in dialogue to address horizontal issues requiring cross-governmental co-ordination. As a result, more than 30 government policies have been adjudicated by the forum.

Vertical co-ordination mechanisms (see Chapter 4) include:

- The Intergovernmental Co-ordination Council, a forum for dialogue and co-ordination of national policies concerning the three levels of government. It is chaired by the PCM with the participation of regional presidents and a representation of mayors, in order to strengthen the decentralisation process and follow-up on national and regional policies.
- Intergovernmental commissions: vertical co-ordination mechanisms developed on a sector basis, based on the supervision performed by ministries in providing public

services, aimed at the decentralised management of public services. Fourteen intergovernmental commissions have been established, but the level of operation is not homogeneous, with only approximately one-third of them actively carrying out their mandates.

- National councils, sector-based intergovernmental commissions, regional co-ordinating councils (CCR) and local co-ordinating councils (CCL).

The National Policy on the Modernization of Public Management (see below), adopted in 2013, highlights a number of challenges to be overcome by the Peruvian public administration by 2021 (the 200th anniversary of Peru's independence from Spain) in order to become more efficient and citizen-oriented. One of these challenges is to improve co-ordination both between different levels of government (vertical) and between different entities at the same level (horizontal).

In this context, the PCM is promoting a new model of co-ordination which is currently in the process of being diffused between the different entities of the executive branch. This model is based on the premise that there are two types of relationships with the state government: 1) within the state agencies vertically and horizontally; and 2) between the state and society.

All the types of government relations are performed under the process of articulation of public policies (especially multi-sector). In that sense, co-ordination is understood as a means to better articulate the relationship of state government which should promote tangible achievements. Co-ordination endeavours establish two types of actions: co-operation and collaboration.

Co-operation means the relations to improve capacity to address the multisectorial issues, under a responsibility framework. The concept of collaboration relates to relationships to exchange intersectorial aspects of support linked to a performance activity in complementarity. Table 2.1 represents the model.

Under this model of co-operation and collaboration, co-ordination should encourage greater predictability of compliance of multisectorial action, goals and objectives of the executive branch, with a view to achieving the general government policy and appropriately address ("*ex ante*" and "*ex duration*") problems for which they were designed and guarantee the full implementation of multisectorial policies.

Table 2.1. **Multisectorial policy approach in the PCM**

Multisectorial policy	Government relations in the state		Among the government bodies Government-society
	Policy co-ordination process		
	Co-ordination	Means to better co-ordinate government relations of the state (between levels of government)	
	It is materialised through:		
		Co-operation	Relationships to enhance capacity building to address the multisectorial support under a responsibility framework
		Collaboration	Relationships to exchange intersectorial aspects of support linked to a performance in complementarity

Source: Presidency of the Council of Ministers.

These processes reflect a classic top-down approach to public policy formulation, common in many OECD countries, where priorities are defined at the top and

implementation, co-ordination, monitoring and control are performed at the subnational level. In a dynamic context, governments sometimes need to change policy directions quickly and effectively as circumstances change. This means being able to distinguish when action is most appropriate at a whole-of-government level, requiring central action or co-ordination, and when agility is best obtained at a devolved level. It means being able to shift human and financial resources around quickly to meet emerging priorities while sustaining support to the government's medium-term strategy. Thus, strategic agility in the public sector entails strategic insight, collective engagement and resource flexibility (Box 2.4).

Box 2.4. **Elements of strategic agility**

Today's dynamic world and society require governments to be able to change policy directions quickly and effectively as circumstances demand. Strategic agility is the ability of the government and public administration to anticipate and flexibly respond to increasingly complex policy challenges, and to determine at what level action is needed (i.e. at a whole-of-government level or at a devolved local or sector level).

The OECD has adapted the work of Doz and Kosonen (2008) for use in a public sector context in order to identify three necessary components for developing strategic agility:

1. **Strategic insight** is the ability to understand and balance government values, societal preferences, current and future costs and benefits, and expert knowledge and analysis, and to use this understanding coherently for planning, objective setting, decision making and prioritisation.
2. **Collective commitment** is adherence and commitment to a common vision and set of overall objectives, and their use to guide public actors' "individual work, as well as co-ordination and collaboration with other actors (both inside and outside of government and across levels of government) as needed to achieve goals collectively".
3. **Resource flexibility** is the ability to move resources (personnel and financial) to changing priorities if and as needed; to identify and promote innovative ways to maximise the results of resources used; and to increase efficiencies and productivity for both fiscal consolidation and re-investment in more effective public policies and services.

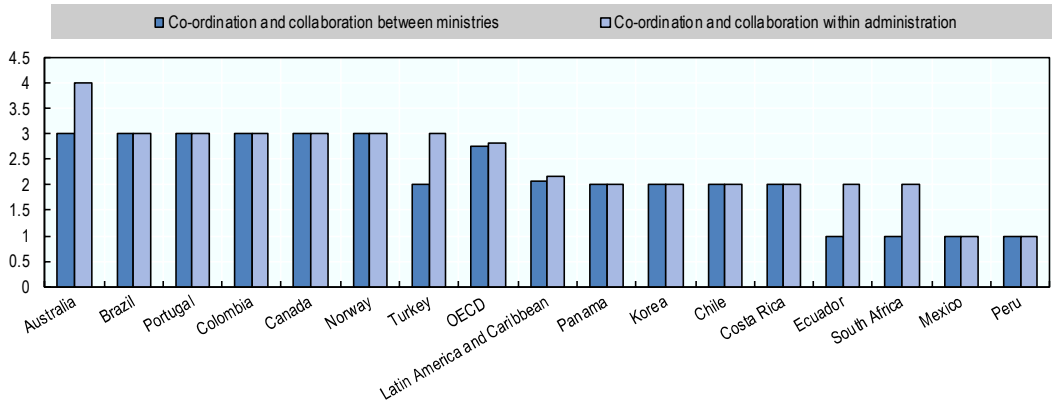
Source: OECD (2010a), *Finland: Working Together to Sustain Success*, http://dx.doi.org/10.1787/9789264086081-en.

In addition, in Peru, co-ordination mechanisms notwithstanding, interaction horizontally and vertically, key to achieving more effective public policies, could be improved, according to the Peruvians themselves:[10]

- The ability of CoG institutions to cascade national strategic objectives down through ministries lies in its capacity to provide strategic direction to ministries, which at times may not set sector-specific strategies in a way that contributes to the pursuit of strategic goals.
- This implies that there may be a need for the CoG to improve effective communication of the national strategy or vision throughout ministries and institutions. The way in which the key CoG institutions (the PCM and the MEF) co-ordinate between themselves the key messages of the government's National Strategic Plan at all stages of its setting and implementation, and jointly communicate these messages to line ministries, is important in this regard.

- Peru appears to lag behind benchmark countries in the co-ordination of public policies. Despite recent efforts to increase dialogue among different institutions, the perception is still that the insufficient collaboration and co-ordination among ministries and within the administration is an obstacle to effective policy making and implementation (Figure 2.4).

Figure 2.4. **Perceptions of co-ordination among public institutions, 2012**



Source: IPD (2012), "2012 governance data", *Institutional Profiles Database*.

Strategic planning and performance monitoring are siloed

One of the main functions of the CoG in any country is to transpose the government's strategic priorities into specific plans, and have them fully funded through the budget-setting process. In Peru, the planning initiative is managed in the PCM, through CEPLAN, that co-ordinates the planning system of the government (SINAPLAN). The main function of CEPLAN is to formulate and disseminate a shared vision of the future of the country reflecting the different levels and sectors of government, through the elaboration and update of the National Strategic Development Plan (PEDN). SINAPLAN is the institutional mechanism to test the viability and co-ordinate the implementation of the PEDN that promotes and guides the harmonious and sustained development of the country. This process is discussed in detail in Chapter 3.

In fact, the government has articulated several national strategic plans/agendas for the development of Peru, the most relevant being the current PEDN "Plan bicentenario: El Perú hacia el 2021". Yet the planning framework also includes the *Agenda de Competitividad 2014-2018*, the National Plan for Productive Diversification and the National Strategic Export Plan PENX. However, these plans are not linked together. And while these plans aim to tackle key challenges in Peru, they are not binding, and the strategic objectives in these plans are neither prioritised nor co-ordinated in a coherent fashion.

The government has made important efforts over the last decade to improve the link between budgeting and strategic planning, in particular at the institutional level. That said, co-ordination between the PCM and the MEF need to be reinforced to give full effect to these efforts so that spending performance can be used to assess whether national strategic planning objectives and results are in fact being achieved. Despite robust performance-based budgeting, the limited use of evidence in policy making, service

design and delivery, and the limited linkages with national strategic planning hinder the ability of the government to achieve results and track outcome improvements for citizens.

The government of Peru adopted performance-based budgeting under the leadership of the MEF's Budget Directorate to maintain fiscal discipline, improve efficiency in the distribution of resources and the quality of public spending, and ensure the operational effectiveness and efficiency of all public entities and agencies. However, strategic and operational goals could be better linked to spending decisions for a better understanding of the cost-effectiveness of public spending and of whether spending decisions are improving policy outcomes:

- Strategic planning only loosely connects the national development strategy to the national fiscal framework; the government has only limited capacity to use spending performance information to assess the extent to which strategic policy outcomes as defined in the national strategic plan are being achieved through spending decisions.
- This is also reflected in the integrity and regulatory areas: challenges exist in defining and using a performance measurement framework for the integrity and regulatory systems that enables collecting sound evidence to support better decision making and in fostering a more data-driven public sector.

Despite progress in monitoring and evaluation (M&E), there is a limited culture of evaluation in the public administration in Peru. In addition, limited generation of regional performance data, limited use of evidence in resource allocation decisions and in leveraging open data constrains the government's capacity to improve policy outcomes more effectively on the ground, particularly in the poorest regions and communities of the country.

Although recent efforts to incorporate the results of horizon scanning have been made as part of the National Development Plan 2021 process, strategic foresight and more robust co-ordination of different plans for development in Peru could improve evidence-based decision making.

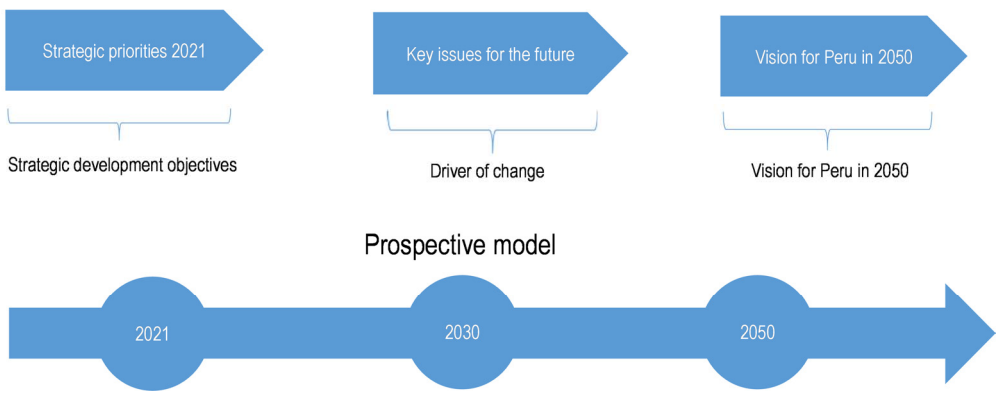
The current PEDN was approved in 2011 for a period of ten years, to 2021. It presents a number of national strategic objectives. The plan is not static; it is subject to updates and improvements, led by CEPLAN.

- To this end CEPLAN published a *Methodological Guide for the Updating Process of the National Strategic Development Plan*, which guides the formulation process for the national strategic plan and aims to promote forward thinking and create a long-term vision for the country by establishing consensus across the various sectors of the Peruvian society. The document describes the main stages and the prevailing approaches of this methodology (prospective phase, strategic phase and articulation phase).
- The core of this proposal is based on a perspective that considers the contingencies that might arise, explores various alternatives for the future and gives players a more active role in building their future. This was meant to overcome the predominant and classic approach to strategic planning, based on a rational, predictive, passive and non-participatory vision.
- The detailed sector, regional, local and institutional strategic plans, which use shorter time frames, have to be linked to the PEDN. Under the SINAPLAN, and following the guidelines approved by CEPLAN, monitoring of the objectives, with related indicators, baselines and intermediate objectives is also carried out.

- In parallel, the MEF produces the annual national budget, along with a three-year fiscal framework, that allocates financial resources of the state to the various budget programmes. The budget is results-based. The MEF has also adopted a system of monitoring and evaluation as a tool to implement performance budgeting.

As mentioned above and in Chapter 3, these two processes, although not completely isolated, are not linked in any meaningful way; they need to be tightly co-ordinated to ensure that national objectives in the PEDN can be met within the set timeframes using the public resources that need to be assigned to them in the budget. In addition, the PEDN and SINAPLAN are not yet informed by the results of strategic foresight and long-range horizon scanning. CEPLAN has been considering an approach using three time horizons: 2021, 2030 and 2050. However, at the moment this is more a placeholder – a statement of intent on CEPLAN's part to adopt such a foresight system, as the development of the methodology for the 2030 and 2050 scanning capacity is still being built.

Figure 2.5. **Peru's strategic foresight at three time horizons**



Source: PEDN, Government of Peru.

Some OECD countries have interesting experience in embedding long-term foresight within medium-term national strategic plans, which could be of interest to Peru. In the case of Poland, for instance, the key national, long-term development strategy for the country is articulated in *Poland 2030: The Third Wave of Modernity – A Long-Term National Development Strategy*. This informs and frames the government's main medium-term strategies that are implemented over a ten-year planning horizon (see Table 2.2 and Chapter 3).

Transparency and accountability frameworks exist but could be strengthened

The CoG can also play a leading role in the government's transparency and accountability system (see Chapter 7). Indeed, in Peru the PCM has a Communication Office, exercising the following functions:

- develop the external communication policy of the executive to provide adequate and timely information
- identify information needs underpinning the communication strategies
- establish co-ordination mechanisms across the public sector
- design and implement communication products that suit the citizens' information needs.

Table 2.2. **Cascading planning horizons: The case of Poland**

Initiative capacity	Time horizon	Profile
Long-Term National Development Strategy entitled: *Poland 2030: The Third Wave of Modernity – A Long-Term National Development Strategy*	A 15-year (long-term) implementation perspective – a horizontal, comprehensive strategic framework	Specifies the main trends and challenges that arise from the internal development of Poland as well as changes in its external environment. Includes a comprehensive idea of national social and economic development viewed from a long-term perspective in consideration of its social, economic, environmental, territorial and institutional dimensions.
National Spatial Development Concept	20-year perspective (long-term)	The most important document dealing with Poland's spatial management. Its strategic objective is to use the available space effectively in consideration of its differentiated development potential in order to improve: competitiveness; employment rate; effectiveness of the state; social, economic and spatial cohesion in a long-term perspective.
National Spatial Development Plan	In accordance with the National Land Use Development Perspective	An operational plan of spatial development formulated in accordance with the National Spatial Development Concept.
Medium-Term National Development Strategy	Four- to ten-year development perspective – a horizontal and comprehensive document, includes provisions of the Long-Term National Development Strategy	Specifies the fundamental determinants, objectives and directions for national development along the social, economic, regional and land-use dimensions implemented via the development strategies with the aid of development programmes. The medium-term perspective permits the formulation of more specific objectives as well as tools for their implementation.

Source: OECD (2013b), *Poland: Implementing Strategic-State Capability*, http://dx.doi.org/10.1787/9789264201811-en.

In 2002, the Law on Public Information Access and Transparency entered into force. The Public Management Secretariat (SGP) emerged as a relevant public actor in this area. In addition, Peru, which adhered to the Open Government Partnership in 2014, is one of the countries in the region that has identified the potential of open government as an effective tool to fight corruption, through transparency and accountability (see Chapter 7).

- In Peru, the open government steering group includes two private sector organisations: the National Conference of Private Business Institutions (Conferencia Nacional de Instituciones Empresariales Privadas, CONFIEP) and the Lima Chamber of Commerce (Cámara de Comercio de Lima, CCL).
- In 2010, Peru approved the implementation of the institutional standardised transparency portals for the central government. There is also increasing interest to extend the process to the subnational level, as shown by the implementation of four regional workshops in early 2014 to get direct input from citizens outside Lima for the preparation of the second version of the Peruvian Open Government Partnership Action Plan (see Chapter 7).
- That said, as Chapter 7 argues, important challenges and bottlenecks remain in adopting the government's second OGP Action Plan in a way that accurately reflects stakeholders' input.

Another powerful tool to enhance accountability, transparency and civil engagement is performance information on the implementation of national strategies and on fiscal performance in achieving the objectives outlined in these strategies.

- The government is ostensibly required to ensure that the current information available is sufficiently disseminated to civil society and that internally it is used by SINAPLAN as a permanent feedback mechanism to inform the strategic planning system.
- A significant challenge in this area, however, is improving the link between national priority programmes, the national strategy and the government's policy goals on the one hand, with budget performance information on the other, so that through the government's open data, communications and electronic portal initiatives, citizens are accurately informed about progress (or lack of) being made by the government in achieving results and improving outcomes for people and business in all regions of the country.
- The CoG could reinforce institutional capacities and policy awareness on open government goals, and work closer with its own institutions and the MEF in the implementation of the Action Plan. Chapter 7 addresses these issues.

Peru's current reform agenda: The National Policy on the Modernisation of Public Administration

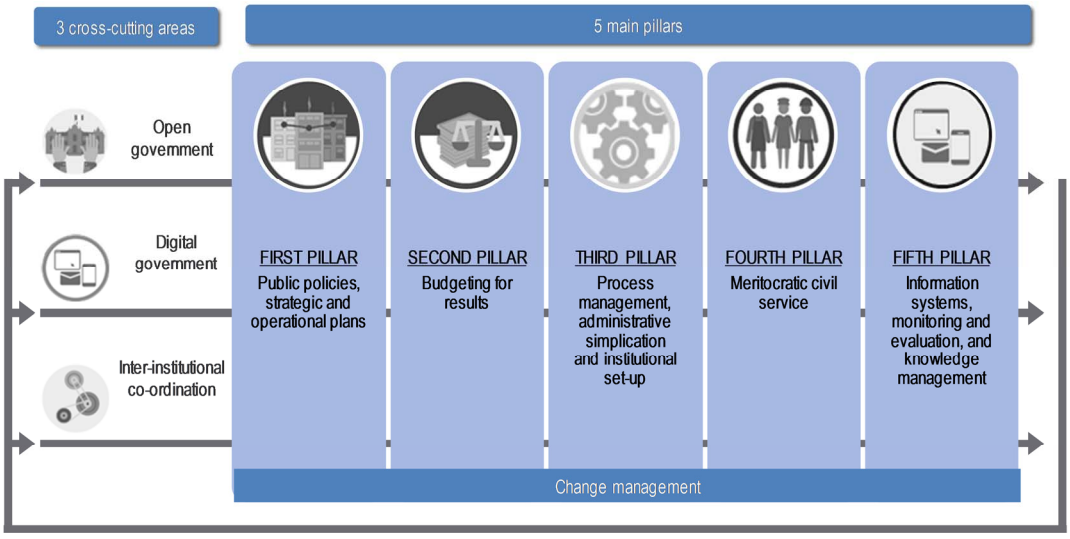
The preceding sections presented evidence on the current state of affairs regarding the roles and responsibilities of the institutions making up Peru's centre of government. This section outlines Peru's governance reform agenda and its plans for the future in this area.

One of the main efforts of the Peruvian government to address the traditional challenges it faces in setting and steering the implementation of integrated medium-term national strategy, and designing and delivering public services effectively, efficiently and transparently, has been through adopting in 2013 its national policy on public administration modernisation (Supreme Decree No. 004-PCM)[11]. This policy builds on Supreme Decree No. 025-PCM-2010 and the Organic Law 29158 of the Executive Branch.

The first four-year Plan for the Implementation of the National Policy on the Modernisation of Public Administration (PNMGP) 2013-2016 defines actions and indicators with their respective goals, deadlines and leading institutions responsible for the implementation of the policy's objectives and guidelines, monitoring progress, and evaluating the results and impacts on society.

- The PNMGP-2021 aims to improve public management with a focus on results in the service of citizens. To this end, it has established a model of five main pillars, three cross-cutting and an explicit change management process, all of which are detailed in Figure 2.6.

Figure 2.6. **National Policy on the Modernisation of Public Administration in Peru**



Source: Presidency of the Council of Ministers.

Public policies, strategic plans and operating plans

Under the PEDN's axis on development and the consolidation of democratic governance and of strong public institutions, led by the CEPLAN, the first pillar seeks to articulate in a coherent and co-ordinated manner clear government objectives that reflect national priorities. Public policy proposals must be consistent with these objectives. Public entities, in turn, need to reflect these objectives in their plans. Thus, the government as a whole ought to be in a position to focus more clearly on serving citizens better.

Performance budgeting

Under the responsibility of the MEF's Budget Directorate, performance-based budgeting is being adopted to maintain fiscal discipline, improve efficiency in the distribution of resources and the quality of public spending, and ensure the operational effectiveness and efficiency of all entities and agencies. Chapter 3 assesses this agenda in the context of whole-of-government strategic planning and monitoring and evaluation.

Process management, administrative simplification and institutional organisation

Under the responsibility of the PCM's Public Management Secretariat, aims at improving gradually public bodies' process management while pursuing administrative simplification and the reduction of red tape to achieve the expected results. The OECD's *Regulatory Policy Review of Peru* will provide advice to the government in this area.

Civil service modernisation

As mentioned previously, under the responsibility of the National Civil Service Authority (SERVIR), the civil service reform strategy aims to improve the performance of government officials, based on the principles of merit and equal opportunities. The medium-term objective is to professionalise the civil service at all levels of government, so as

to attract individuals who are qualified for key positions in each institution. Chapter 5 assesses SERVIR's framework and provides advice to the government in this area.

Information, follow up, evaluation and knowledge management system

Conducted by the PCM's Public Management Secretariat to ensure efficient public management, public institutions will need to have an information system with a monitoring and evaluation process in place as well as adequate knowledge management strategies. Chapters 6 and 7 examine these issues.

Open government

Conducted by the PCM's Public Management Secretariat, the open government strategy aims at achieving a government which is transparent, accountable for its actions and results, and offers channels which encourage active citizen participation while enhancing government accountability. Chapters 6 and 7 examine these issues and provide advice in this area.

Electronic government

Managed by the National Office for Electronic Government and Information Technology (ONGEI, mentioned above), this strategy aims to promote the intensive use of information and communication technology (ICT) in public institutions, to improve the information and services offered to citizens. Chapter 6 assesses the current state of digital government in Peru and offers advice to the government in this area.

Inter-institutional co-ordination and decision making in the centre of government

The objective of this strategy is to promote and establish mechanisms for more robust inter-institutional co-ordination that will contribute to the expansion of the performance capacity of the government in serving its population. A crucial point is to improve the management of government priorities from the centre of government. This chapter in particular and the review more generally offer advice in this area.

Assessment

Peru's bottom line: Better co-ordination for better results

The government of Peru acknowledged in its responses to the questionnaire carried out for this review the necessity to strengthen co-ordination mechanisms to implement government priorities in a way that reflects the size and complexity of national policies, as well as the need for a comprehensive institutional framework that guarantees adequate support for decision making, proactive and reactive co-ordination capacity, proper alignment with the National Strategic Development Plan, and for robust monitoring and evaluation systems that contribute effectively to decision making.

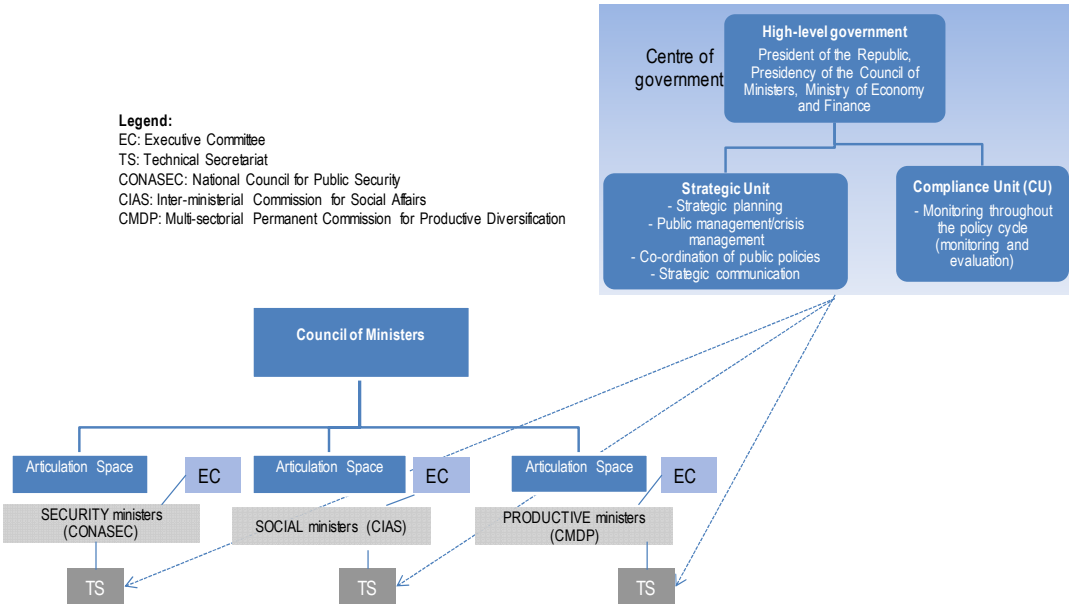
The PCM and the MEF worked together to design a mechanism for the management of government priorities, encompassing institutional design functions and procedures as well as an organisational model for the centre of government, and the development of an implementation plan. In its responses to the questionnaire, the government proposed the creation of two units:

1. A Strategy Unit in charge of strategic planning, public management, crisis management, co-ordination of public policies and strategic communications.

2. A Compliance Unit with the goal of monitoring throughout the policy cycle (follow-up and evaluation).

In the proposal, both units have the duty to co-ordinate with all ministers. Figure 2.7 presents the proposal the government included in its questionnaire responses. The MEF further suggested that plans be driven by the results-based budgeting framework.

Figure 2.7. **Ministry of Economy and Finance-Presidency of the Council of Ministers proposal for institutional reforms to enhance co-ordination**



Source: Government of Peru (2015), "Background report of the OECD Public Governance Review of Peru", unpublished working paper.

As a proposal to strengthen decision-making capacity through more robust whole-of-government co-ordination, the idea behind this proposal is good – and the joint effort by the PCM and the MEF augurs well for future joined-up efforts in this area. The recommendations below on the CoG adopt the same spirit and build on this most useful approach.

That said, given that the Peruvian Council of Ministers focuses primarily on policy **execution**, reforms could also focus over time on enhancing the Council of Ministers' capacity to engage in integrated whole-of-government strategic policy and fiscal **setting**, **planning**, and **performance monitoring** and **evaluation** in support of executive decision making, served by a reformed CoG with the capacity to support the Council of Ministers in exercising this larger and more encompassing mandate.

Indeed, in OECD countries and beyond, the Council of Ministers or Cabinet itself exercises key functions in advising the head of state/government so that the government exercises decision making in a collegial manner to adopt a course of action that fully reflects all key dimensions of a strategic policy challenge:

- Cabinet and Cabinet committees offer a key forum for debate on national strategy and strategic policy at the top of the government's decision-making apparatus. This allows for a full airing on a confidential basis of philosophical differences between ministers on a policy approach to address a strategic issue. Most importantly, these debates can enrich

the content of the policy proposals and strategies being submitted to the head of state/government for decision. Sector-based evidence brought to the table by individual ministers, usually developed by their ministry's civil servants and nurtured through meaningful stakeholder consultations, usually provides a robust, textured basis on which collective, whole-of-government decisions can ultimately be taken.

- Committees of the Council of Ministers can act as a policy filter through which single-sector or multi-sector strategic initiatives are debated in the context of the head of state's/government's general approach to the country's development. This process is usually supported by the CoG institution(s) supporting the head of state/government and Cabinet. This allows for Cabinet to contextualise individual initiatives against the government's strategic development plan, to assess shorter term initiatives against the government's and the country's longer term strategic interests, and to recommend whether a proposal should proceed to implementation or should be held back.
- Committees of the Council of Ministers can act as decision makers on transactional issues of less strategic importance to the government and the country, thus freeing up precious time and resources for the head of state/government and full Cabinet to devote to more strategic issues.

Hence, in terms of whole-of-government decision making that would be supported by the two CoG units proposed by the PCM and the MEF, the government could also consider Colombia's experience with its superior councils of the administration (Box 2.5), which provides a potentially useful example of how inter-ministerial and multidisciplinary bodies, supported by the type of more effective CoG being proposed by the PCM and the MEF, can enhance cross-silo, whole-of-government co-ordination and co-operation to achieve more integrated strategic policy and spending decisions more coherently for the benefit of all citizens.

Box 2.5. **Colombia's superior councils: Institutional arrangements to assist integrated decision making**

The superior councils of the administration in Colombia manage the policy-setting, co-ordination and implementation activities of the national executive branch. These councils are analogous in their make-up to Cabinet committees in OECD countries; however, an important difference in Colombia is that their membership extends beyond ministers to include directors of key administrative departments, the entities that perform the centre of government-like functions of co-ordinating horizontal multi-sector policy development, implementation and evaluation across the government.

The role of these councils is to support the President and the government in formulating, implementing and evaluating policy. The most important superior councils are the Council of Ministers (the Cabinet), the National Council on Economic and Social Policy (Consejo Nacional de Política Económica y Social, CONPES) and the Superior Council on Fiscal Policy (Consejo Superior de Política Fiscal, CONFIS).

Arguably Colombia's most powerful council, CONPES, is the most important policy co-ordination institution in the government. It is the highest national planning authority in the country and serves as the advisory body to the government on all policy related to the economic and social development of the country. It co-ordinates and guides the array of government agencies and entities responsible for the government's economic and social policy.

Source: OECD (2013a), *Colombia: Implementing Good Governance*, http://dx.doi.org/10.1787/9789264202177-en.

Over time, the government could consider defining and formalising a clearer division of responsibility in decision making by the Council of Ministers (based on thematic policy clusters related to whole-of-government strategy-setting and implementation, for example), and confirm a hierarchy in decision-making authority by the Council of Ministers and committees created for this purpose. This could build greater coherence in national strategy-setting, implementation and performance assessment in support of integrated strategic whole-of-government decision making by the executive and the head of state. In this context, the *espacios de articulación* (articulation spaces) shown in Figure 2.7 in the areas of security (CONASEC), social affairs (CIAS) and production (CMDP) could constitute a first step in this direction to generate strategic policy clusters for greater integrated policy coherence in decision making.

Recommendations

The focus of these recommendations is on enhancing the government of Peru's steering and co-ordination capacity through institutional reforms in the CoG institution serving the head of state and the Council of Ministers. The recommendations below aim to build on the spirit of what the government of Peru proposed in its responses to the questionnaire carried out by the OECD for this review. In recommending these institutional reforms, this review notes the following:

- Some of the recommendations requiring structural reform could be complex and take time and effort, including through the pursuit of amendments to organic laws and other framework legislation and their requisite consultations. Due consideration to these challenges would therefore need to be reflected in any reform strategy that the government designs in this area.
- In focusing on the PCM as the CoG institution serving the President and the Council of Ministers, the thrust of this advice in no way aims to question (or weaken) the role of the MEF. Without a doubt, the MEF's role has been fundamental in the transformation of Peru. On the contrary, advising to strengthen the co-ordination capacity of the PCM aims to generate in this CoG institution a more robust partner for the MEF so that they can jointly co-ordinate national strategic policy and fiscal design, implementation and performance monitoring to achieve results for citizens and improve inclusive growth outcomes in all regions of the country, while ensuring that if performance information demonstrates that results are in fact not being achieved as anticipated, they can jointly advise the President and the Council of Ministers on how best to design and pursue a strategic change of course that more effectively achieves the desired results.

In all elements of Peru's national public administration modernisation agenda, the CoG needs to play a strong co-ordination role, both internally between the various key secretariats in the PCM and between the PCM and the MEF, and transversally across the government to ensure, for instance, that financial and policy performance information is generated properly, used effectively in informing next-wave policy and budget setting and implementation, and can be harnessed to inform citizens effectively on progress in achieving inclusive development and well-being outcomes for citizens in all regions of the country.

This chapter has argued that centres of government are a cornerstone of public governance systems. CoGs ensure high-quality decision making by government and co-ordinate government actions and maintain coherence in the design and implementation of government policy. Poor co-ordination and ineffective decision making, present in

many public administrations, can mean that the translation of political priorities into government action often fail to deliver results for citizens and business.

In the case of Peru, the need to improve existing institutional arrangements has been recognised by the government: it is one of the strands of the modernisation strategy. This provides Peru with an important opportunity to pursue a wide range of institutional reforms over the coming years to improve CoG decision making as a means to improve the government's capacity to improve outcomes for people.

The overview of Peru's centre of government presented in this chapter leads to the following considerations:

- The Presidency of the Council of Minister needs greater stability, a clearer institutional make-up free from responsibilities that detract from its primary purposes, and more political and policy clout in the system so that it can focus on leading whole-of-government co-ordination of the design, delivery and performance monitoring of the multi-year national development strategy.
    - In the period 2000-15, there were 20 different PCMs, more than one per year on average, usually with commensurate turnover in senior staff reporting to the President of the Council of Ministers.
    - This hampers adequate fulfilment of the CoG's functions, in particular conducting strategic foresight and sustaining co-ordination of public policies over time.
- With 16 different agencies and secretariats reporting to the head of the PCM, it is at once too atomised, with too many different mandates on its plate, and not focused enough to play its co-ordination role effectively. In most OECD countries, the CoG is not responsible for transactional sector-specific activities: once they are conceived, policy responsibility for their roll-out and management is transferred to the relevant line ministry to preserve the CoG's capacity to lead high-level strategy design, delivery and monitoring properly.
    - Paradoxically, the plethora of entities in the PCM actually reduces the CoG's political clout in the system, because it does not have enough time, energy or resources to focus on the small number of whole-of-government strategic objectives it should be leading.
    - This also implies that its resources are spread too thinly; they could be consolidated to enhance its strategic role.
- The PCM needs to be able to co-ordinate closely and on an ongoing basis with the MEF to ensure that the PEDN is clearly linked to the budget and the multi-year fiscal framework. It needs to be able to co-ordinate with line ministries across the central government and with regional and local governments on developing and implementing the PEDN, as well as on all strands of the modernisation agenda, including on decentralisation and performance measurement, so that planning frameworks such as the PEDN and SINAPLAN actually benefit from the contributions of all key public and private actors, and the government's performance story can be developed and communicated in as integrated a fashion as possible.
    - Performance information needs to inform the planning process.

- National strategic planning needs to drive the budget process, as in OECD countries, and not the other way round: results-based budgeting in Peru should be framed by the strategic objectives in the multi-year whole-of-government strategy and the results-based budgeting framework should measure performance against the outcomes defined in the PEDN.
- Strategic objectives need to be defined in the context of the fiscal framework, so that the government and citizens understand what can be implemented within any given time frame.
- Integrated communications to Congress and the public need to be led by the CoG.

These considerations frame the recommendations that follow. Their purpose is to:

- Build capacity in the PCM and enhance its political and policy clout in the system.
- Enhance its capacity to partner with the MEF and lead co-ordination effectively of the design, implementation and performance monitoring of a national multi-year development strategy that links policy to budgeting, annual sector plans, and gathering and communicating whole-of-government performance information assessing implementation against results.

To this end, the government could consider the recommendations below.

1. Strengthen centre-of-government-led whole-of-government co-ordination

- Strengthen institutional capacity to overcome silos and improve integrated, multi-dimensional whole-of-government strategic planning, implementation and performance monitoring that effectively achieves results in a way that assesses spending decisions against the achievement of strategic policy outcomes:
- Review the composition and mandates of the secretariats and agencies currently in the PCM with the view to transferring those units that do not play a whole-of-government co-ordination function to relevant line ministries, thereby enabling the PCM to focus its mandate more clearly on the national development strategy, government modernisation, decentralisation and on managing government-wide operations. Any unit not involved in delivering on these mandates should be spun off to a relevant line minister. Any and all resource savings accruing as a result of this exercise should be reallocated to the core CoG units, including CEPLAN, the Public Management Secretariat (SGP), the Decentralisation Secretariat, SERVIR, the Co-ordination Secretariat, CAN and ONGEI.
    - In transferring agencies/entities out, make sure to safeguard/strengthen autonomy where warranted. For example, the National Institute of Statistics and Informatics' autonomy should be confirmed (and if necessary strengthened) to ensure that it is properly resourced and protected from partisan political interference in exercising its mandate.
    - Create two new vice-minister positions within the PCM reporting directly to the PCM to reinforce its strategic role as one of the two institutions making up the CoG:

  - Group strategy-setting units under a Vice-Minister of National Strategy and Public Governance Modernisation.
  - Group strategy implementation/delivery units under a Vice-Minister of Operational Delivery and Results.
  - Create a standing committee of the Council of Ministers with oversight functions relating to strategy setting, planning, budgeting, implementation/ delivery and performance monitoring to ensure the achievement of national and regional strategic outcomes, to be supported by the two vice-ministries and the MEF. This standing committee could be chaired by the President of the Council of Ministers, with the Minister of the Economy and Finance as vice-chair, and report to the President of the Republic. The Technical Secretariat of this committee could be headed by the PCM.
  - Base the recruitment and appointment of the vice-minister positions on merit; and ensure stability in the structures and in the officials managing them that goes beyond a single electoral cycle and the high turnover ratio of the President of Council of Ministers.

- Communicate these changes widely both internally and externally.

2. Improve co-operation between the PCM and the MEF

- Reinforce the link between CEPLAN and the Directorate-General of the National Budget to better align the PEDN with the multi-year budget using a common time frame. A joint commission should be set up to harmonise the medium-term framework, and to increase the achievement of its goals, monitoring and diffusion.

3. Reinforce capacity to integrate the results of long-term strategic foresight into strategic planning

- Despite the latest round of PEDN updating, some sectorial strategic plans need to improve the definition of goals, outcome-oriented indicators and M&E techniques and which must be aligned and integrated to the PEDN. Additionally, there is currently no long-term foresight document. Such information is a useful tool to define long-term objectives that surpass the period of the PEDN. Peru might consider increasing the role of National Agreement Forum in this respect (see Chapter 3).

4. Improve the performance monitoring framework

- Performance monitoring and audit seem to be split in different units (CEPLAN, MEF, Comptroller General's Office, etc.), which at present do not provide outputs that can be used systematically in the decision-making process. CEPLAN clearly needs to reinforce its evaluation capacities and integrate the work done by the MEF and others in the strategic planning processes. The example of SINERGIA in Colombia could help in this respect (see Chapter 3).

5. Increase the strategic skills capacity of the civil service in the PCM, and ensure stability in staff rotation

- Technical capacities need to be reinforced in the CoG, through training, technical assistance, seminars, etc. This applies to the central administration, but also very much, in a second wave, to the senior civil service of the regional and local key CoG-like units. A continuous learning process should therefore be institutionalised, to be able to develop the proper co-ordination, planning and management skills in the PCM (see Chapter 5).

6. Use the centre of government to engage citizens and civil society as key players

- Citizens should be involved in the political life of Peru on a regular basis. This can be done in different ways, such as open government techniques to inform the population, satisfaction surveys to provide feedback on the planning process, workshops and roundtables for stakeholders, enhancing the National Agreement Forum and other initiatives to ensure that the needs and aspirations of all Peruvians are rightly identified and met by the government at all levels (see Chapter 7).

7. Develop and implement an integrated ongoing government communications strategy

- The CoG should build capacity to inform citizens on a regular basis on efforts and results in government modernisation, strategy implementation, decentralisation and other strands of the national development strategy. This can, over time, strengthen trust and consolidate democracy gains.
- This strategy should include use of ICT and digital government tools to engage citizens systematically in Peru's public life.

8. Establish a delivery unit to pursue reforms and monitor their implementation

- The Secretariat for Public Administration should prepare a comprehensive strategy and briefing package for the incoming government at the level of politicians and officials to inform them of the OECD's recommendations with a view to raise awareness and generate buy-in for a comprehensive, integrated package of reforms that the incoming government could pursue over the life of its mandate.
- Peru could assign responsibility for supporting the implementation of this reform package to a dedicated project office (perhaps styled as a Delivery Unit) located within the PCM:
    - The project office could be made up of civil servants seconded from the key secretariats in the PCM and from the MEF, as well as from key programme ministries engaged in decentralisation. The personnel selected for the project office should be of sufficiently senior rank to enable them to engage their respective leadership effectively.
    - Reporting on progress in implementing reforms to the Council of Ministers (notably to its recommended Standing Committee) could occur on a regular basis, either bi-annually or annually, on both outputs and outcomes being achieved through the reform implementation process. This performance information should inform the PEDN and budget planning.

- With the approval of the Council of Ministers, the PCM/Delivery Unit could report annually on progress to the Congress and people of Peru.
- The relevant senior civil servants could be held accountable through their annual performance appraisal process for the implementation of reform plans and actions approved by the Council of Ministers.

Notes

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Chapter 3.

Strategic planning and the monitoring and evaluation of public policies in Peru

This chapter focuses on Peru's national strategic planning and monitoring and evaluation systems. Peru has taken important steps over the last decade to improve the government's capacity to monitor policy and spending performance. The chapter stresses as key challenges the lack of sufficient information available at regional and local level and the insufficient experience in defining key strategic national indicators, analysing data and using monitoring and evaluation. The chapter closes with a set of recommendations to address these issues.

Introduction

This chapter focuses on Peru's national strategic planning and monitoring and evaluation systems. The capacity to engage in sound strategic planning, to adjust policy responses to multi-dimensional challenges using robust performance information, and to report to parliament and citizens on progress in solving societal challenges with public-policy interventions implies an ability on the part of the state to identify policy challenges accurately and set a course of action and take decisions to implement them using sound evidence to achieve quantifiable outcomes and results for people. Strong monitoring and evaluation foster transparency and accountability, and provide the public with performance information on the progress that the government is making in pursuing its goals and achieving results for people.

Strategic planning and monitoring and evaluation are key functions of the state in all countries. Normally carried out by centre of government (CoG) institutions, notably the Ministry of Finance and the CoG institution serving the head of government and the Council of Ministers, these functions aim to guide the successful pursuit of the strategic policy priorities of governments.

In Peru, notwithstanding efforts made over the last decade to improve the government's capacity to monitor policy and spending performance – notably in performance-based budgeting – the Peruvian authorities have identified this area as an important priority:

- the need to define clearer and more measurable strategic objectives that take into account the needs of the population in each region of the country to close gaps in regional performance and improve outcomes for people in those regions
- limitations in monitoring and evaluation is a challenge that needs to be overcome if the government is to be able to measure the performance of its development and decentralisation strategies in a way that will allow it to change course when results are not being achieved satisfactorily.

Evidence suggests that decision-making information is not necessarily the subject of rigorous quality control; data do not appear to be consolidated in an orderly and reliable fashion. This leads to high information costs and to inadequacies in the quality of information, which in turn hinders access to the type of information required to evaluate policy management and results, along with the ability to take timely decisions based on sound evidence. Improving the use of performance information to influence the strategic planning process is particularly important because it enables governments to adjust policies when results are being achieved sub-optimally, when the policy implementation process is behind schedule or when the policy initiative is simply insufficient to resolve the issue at hand. As discussed below, this is particularly important in countries facing acute and persistent regional disparities, as is Peru.

A solid long-term strategic framework whose performance can be measured and shared with the public can increase citizens' trust and confidence in the state's institutions. In OECD countries, these frameworks tend to integrate strategic planning and some form of performance-based or results-based budgeting to obtain a coherent picture of whether, and if so how, the government is achieving its strategic policy objectives through its spending decisions and budget execution strategy so that it can adjust policy and service design and delivery to optimise the achievement of targets and results for people on the ground in each region of the country.

Historical context: Creation of a strategic planning system

In Peru, the first attempts at modernising planning capacity occurred in 1962 with the creation of the National Economic and Social Development Planning System and the National Planning Institute. Over the ensuing two decades, this institution led the definition and implementation of important public policies, strategies and development plans of a medium- and long-term nature at the national, sector-based and regional levels.

In 1992, the institute was discontinued with Decree Law 25548 by President Fujimori, who assigned its functions to the Ministry of Economy and Finance (MEF), which integrated them into its own institutional arrangements. During this period, the former Directorate of Multiyear Programming (today the DGIP) was responsible for providing guidelines for setting and monitoring the implementation of multi-year sectorial strategic plans and institutional strategic plans (PESEM/PEI). This framed planning for several years until the publication of Directive 001-2014-CEPLAN and SINAPLAN's General Directive on Strategic Planning Process.

In 2002, a new wave of reforms was carried out: the then recently-created National Agreement Forum (*Acuerdo Nacional*, see Chapter 2) identified within the 5th National Policy the importance of strategic planning, foresight and transparent procedures as a national priority. This led to the creation of a national system of institutional strategic planning, with clear setting of sector-based strategic and operational objectives, establishing short-, medium- and long-term goals, along with performance-based budgeting indicators.

In 2008, SINAPLAN (Peru's National Strategic Planning System) was established along with the National Strategic Planning Centre (CEPLAN) as its governing body (see Chapter 2).

Legal framework

The current Peruvian legal framework for planning is framed by the Political Constitution of 1993. The specific regulation concerning the planning function is codified in the Law on the Creation of SINAPLAN and CEPLAN (Legislative Decree 1088). Under this law, the two main functions of SINAPLAN are to:

1. formulate and disseminate a shared vision of the future of the country in the different levels and sectors of the general government, through the elaboration and update of the National Strategic Development Plan (PEDN in Spanish)
2. regulate the strategic planning process in all public sector entities.

These functions are led and co-ordinated by CEPLAN, which published in 2014 the General Directive on the Strategic Planning Process – SINAPLAN[1] to organise and integrate the planning process in the public administration. This directive is framed by a modern vision of public planning and management as a key element in the development of good governance. Peru considers its main benefit as having articulated an integrated and flexible regulatory framework to guide civil servants in strategic planning: it modernises the strategic planning process by adding the requirement to conduct prospective analysis (foresight analysis) as a core element while presenting a whole-of-government standardised methodology; it also supports capacity building for senior officials in strategic planning.

Performance-based budgeting and multi-year programming were instituted through General Law 28411 on the National Budgeting System and the annual Law of the Public Sector Budget's Financial Balance. According to Article 16 of the General Law, budget

allocation priorities are developed in accordance with the objectives and priority goals of each sector; thus, it is up to the sector to establish the scale of priorities contained in the proposed budget for each entity. The sectoral policy makers design the budget programmes, which are assigned against a sector target (result) linked to specific competencies if allocated at the subnational level in a territory. The budgetary programmes are identified within the context of the National Strategic Development Plan and its associated final results.

Institutional planning framework

The core system and institutions of the planning architecture in Peru are managed in a context in which different actors with different roles interact with each other, sometimes using different methodologies and time frames.

CEPLAN

To increase the effectiveness of public policies in reducing inequalities and boosting productivity, which are key strategic priorities for the government of Peru, the CoG needs to be able to offer vision and leadership while actively encouraging and supporting innovation in policy and service design and delivery across the public administration. In Peru, this is especially challenging as the country faces high levels of political and public sector fragmentation. The lack of enforcement of a multi-year National Development Plan affects strategic policy-making capacity as well as the service delivery capacity of the state. In addition, CEPLAN's relative institutional fragility hinders medium-term policy co-ordination (OECD, 2015c).

As described in Chapter 2, CEPLAN is the body that manages SINAPLAN:

- It is integrated within the Presidency of the Council of Ministers (PCM).
- It formulates the National Strategic Development Plan (PEDN).
- It advises government entities (especially the PCM) and regional and local governments in the definition, monitoring and evaluation of policies and strategic development plans, to ensure coherency with the objectives of the PEDN.
- It also develops methodologies and technical tools to ensure consistency in planning; it works to ensure the harmonious and sustained development of the country and strengthen democratic governance.
- It promotes the professional development and technical training of specialists in strategic planning, forecasting, and in the definition and evaluation of public policies and plans at the three levels of government, including in higher education institutions.
- It carries out the monitoring and evaluation of the government's strategic management.

However, in practice, although CEPLAN has the technical capacity to undertake research and analysis, it does not have the capacity or political clout to exercise a steering role in SINAPLAN's activities government-wide.

Ministry/entity resolution authorities

The resolution authority is the highest executive or regulatory authority in each public ministry/entity. It has jurisdiction to approve sector strategic plans, in accordance with its governing rules. Two bodies can be cited with explicit responsibility in strategic planning:

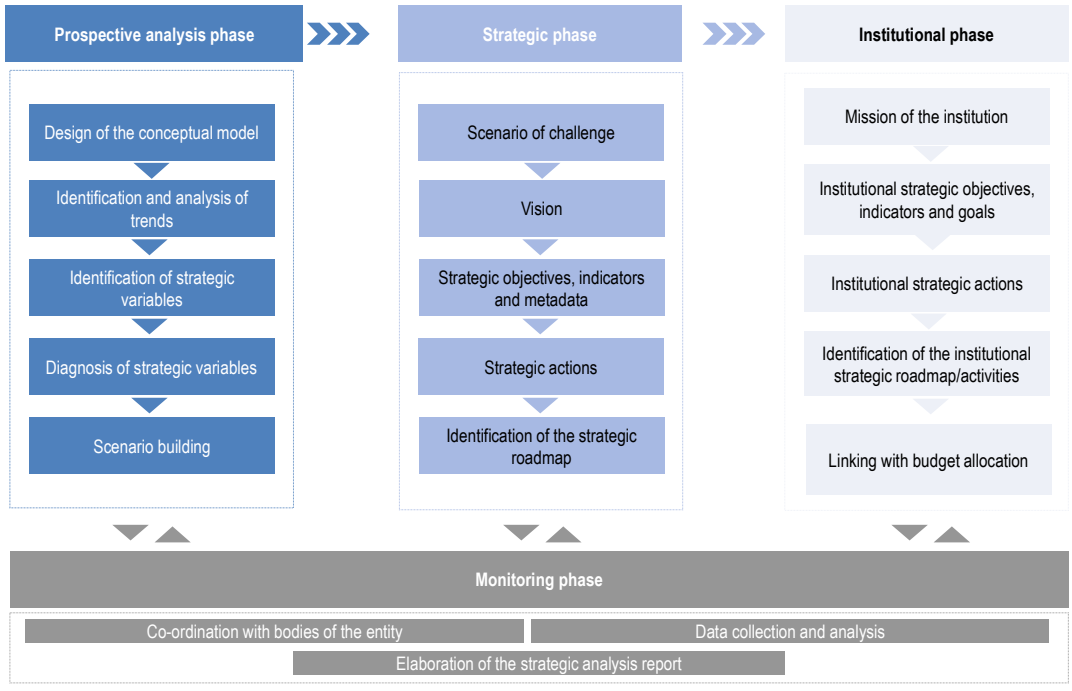
1. The Strategic Planning Authority is the unit in each ministry/entity with explicit responsibility for strategic planning. It is the technical body that supports the methodology applicable to the strategic planning process.
2. The Strategic Planning Commission co-ordinates, guides, supports and validates the strategic planning process of the entity, with the technical assistance of the Strategic Planning Authority. The commission is temporary, active only during the preparation of the entity's strategic planning document. Depending on the type of strategic plan being developed by the entity's senior management, the commission consists of members from the line agencies in the entity's portfolio in charge of providing advice and support in developing the strategic plan.

SINAPLAN

The planning process is set out in the above-mentioned Directive 001-2014-CEPLAN on the Strategic Planning Process. This directive is being applied progressively since 2015. The different phases of the planning process include (Figure 3.1):

- Prospective analysis (foresight/horizon scanning): a conceptual model is defined in the directive to enable an understanding of the evolution of a sector or territory over a medium-term planning horizon. The environment is analysed to identify trends and other external factors; variables are identified, analysed and prioritised on the basis of which scenarios are built; an analysis of risks and opportunities is carried out. This generates futures scenarios for the PEDN's vision framed by a medium-term planning horizon. This activity is conducted using different tools:
  - definition of a conceptual model for understanding the sector or territory
  - environmental analysis identifying trends for the time frame of the PEDN and other external factors
  - identification of variables through discussions with experts
  - prioritisation of strategic variables
  - diagnosis of variables and/or analysis of facts, for scenario-building
  - analysis of risks and opportunities: definition of scenarios.
- Strategic phase: a central scenario for the PEDN time frame is defined, with the vision, mission, strategic objectives, indicators actions and goals. Furthermore articulation mechanisms are developed at the level of objectives and chain of strategic plans.
- Institutional phase: the institutional mission and strategic objectives are determined, together with their corresponding indicators and goals. Additionally, institutional strategic actions are identified, broken down into activities and linked to the public budgeting system.
- Monitoring phase: continuous monitoring of the pursuit of strategic objectives is performed through indicators in order to provide feedback to the planning process in order to anticipate risks and delays.

Figure 3.1. **Strategic planning process – SINAPLAN**



Source: CEPLAN, General Directive on Strategic Planning Process – SINAPLAN.

Types of plans

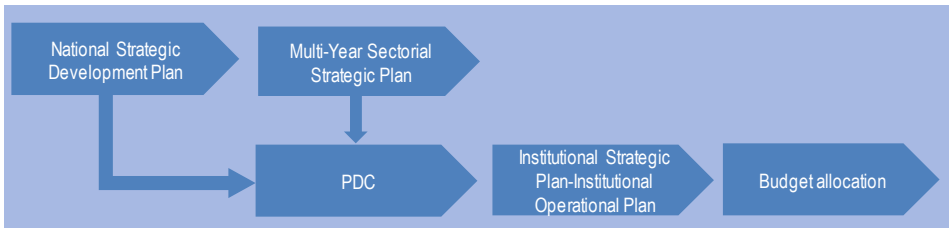
Plans are the main tools used in strategic planning:

- Multi-Year Sectorial Strategic Plan (PESEM): prepared by ministries for each sector under their supervision, using a five-year planning horizon. It is put together during the strategic phase.
- Concerted Regional Development Plan (PDRC): prepared by the regional governments, using an eight-year planning horizon. It is put together during the strategic phase, taking into account the PEDN and PESEM objectives and the multi-year macroeconomic framework.
- Concerted Local Development Plan (PDLC): prepared by local governments, also using an eight-year planning horizon. It is also put together during the strategic phase, taking into account the PEDN and PESEM objectives and the multi-year macroeconomic framework.
- Institutional Strategic Plan (PEI): prepared by each public entity based on the sector and/or regional plan's objectives, and cascades down from these documents. It is prepared during the institutional phase, using a three-year planning horizon. It develops the entity's strategic actions to achieve the goals set in the PDRC and/or in the PESEM.
- Institutional Operational Plan (POI): also prepared by the public entities during the institutional phase, on an annual basis. It contributes to the management of the entity to achieve its strategic objectives.

Figure 3.2. **Hierarchy of plans: Chain of strategic plans by sector**

Source: CEPLAN, General Directive on Strategic Planning Process – SINAPLAN.

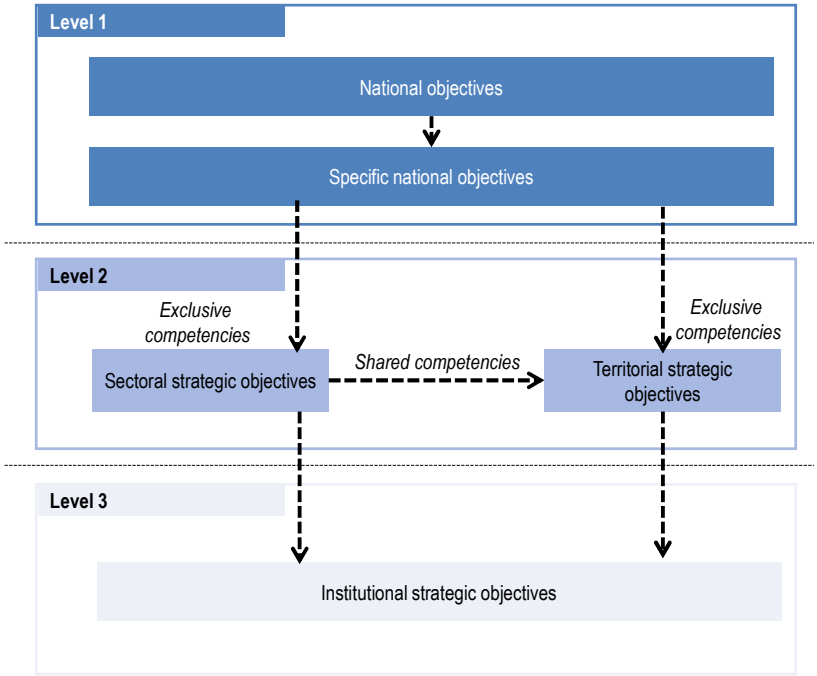
Figure 3.3. **Chain of strategic plans for territories**



Source: CEPLAN, General Directive on Strategic Planning Process – SINAPLAN.

In addition, the directive establishes levels of strategic planning objectives and their corresponding indicators and targets, as shown in Figure 3.4.

Figure 3.4. **Hierarchy of objectives**



Source: CEPLAN – SINAPLAN.

The National Strategic Development Plan

Approved in 2011 by Supreme Decree 054-2011-PCM, the National Strategic Development Plan (Plan Estratégico de Desarrollo Nacional, PEDN) is the long-term plan

in force that includes national policies to be pursued over the course of the decade. It was conceived as an open and flexible tool, subject to ongoing improvement and updating. The PEDN reflects a participative process involving all levels of government, institutions and stakeholders, including public, online consultation and workshops.

In the context of the update of the PEDN, CEPLAN published a Methodological Guideline for the Update Process of the PEDN, with four specific themes:

1. the consolidation of growth with democracy and social inclusion
2. the alignment of equal rights opportunities and social goals with the Sustainable Development Goals
3. the achievement of economic and social co-operation at the regional and local levels
4. the attainment of an historical encounter with rural Peru.

The updated plan, approved by CEPLAN's governing body, keeps the six strategic national objectives that have been supplemented with corresponding intermediate target and indicators.

Table 3.1. **Six national strategic objectives**

Pilar	National strategic objective	Lead indicator	Source	Baseline	2016 target	2021 target
1	Effective exercise of human rights and dignity of persons with social inclusion from the poorest and most vulnerable part of the population.	Human Development Indicator (HDI)	UNDP	0.737 (2013)	0.739	0.764
2	Guaranteeing access to quality services that will allow for the full development of the capacities and rights of the people, under fair and sustainable conditions.	Multi-dimensional Poverty Indicator	UNDP	0.043 (2012)	0.040	0.018
3	Development and consolidation of democratic governance and of strong public institutions.	Government Effectiveness Indicator	World Bank	2.73 (2014)	2.90	3.03
4	Development of a diversified and sophisticated economy with sustainable growth in a decentralised structure, generating decent jobs.	Per capita GDP	World Bank	9 875 (2014)	10 412	12 852
5	Territory knitted and organised in sustainable cities with guaranteed provision of quality infrastructure.	Share in the departmental gross value added (except for Lima) *vis-à-vis* the total value	INEI	50.84 (2014)	50.71	51.30
6	Efficient, responsible and sustainable use of biological diversity, ensuring adequate environmental quality for a healthy life of the people and a sustainable development of the country.	Environmental Performance Indicator (EPI)	Yale University	45.05 (2012)	46.37	49.06

Source: CEPLAN: updated PEDN, preliminary document.

The updated PEDN has not yet been formally approved.

This is generating uncertainty in the strategic alignment among entities that participated in the updating process. CEPLAN was also preparing a progress report on national objectives, to be published in 2016.

National policies

According to Article 4.1 of the Organic Law of the Executive Branch, national policies define the priority objectives, guidelines and main content of public policies, the national standard of compliance in service provision that shall be achieved, and oversight over the development of public and private activities. The national policies constitute the general policy of the government, are designed to align with the general interest of the country, and aim to reflect the diversity of regional and local realities, contributing to the unitary but decentralised organisation of the country.

The formulation of the national policies requires that the government co-ordinate effectively with the regional and local governments, as eventually all levels of government are responsible for their implementation. These policies are approved by supreme decree by the Council of Ministers. From a strategic planning point of view, it is thus crucial that the PEDN align with, and not contradict, the national policies. To this end, the Presidency of the Council of Ministers is preparing general guidelines for the formulation and approval of national policies.

Ministry of Economy and Finance

Sixty per cent of Peru's national budget is allocated to programming which is required to align with the strategic objectives of the government. The programming, by its nature, may be sector-specific or multi-sector, and is implemented by the institutions of the three levels of government. The MEF proposes methodologies applied by public bodies for the identification, design and implementation of the budget programming as part of the performance-based budget. This requires evidence (diagnostic information) and a link between the services to be delivered and specific outcomes. In the budget process, it makes budget allocations linking the provision of goods and services to the achievement of results.

Performance-based budgeting in Peru

The efficient allocation of fiscal resources is key to implement the reforms proposed in this review. Budgetary restraints pose obstacles to timely and efficient public service delivery, as do the growing demands for results from the citizens. That is why Peru implemented the Reform of the National Budget System (Reforma en el Sistema Nacional de Presupuesto), in 2007. Similar to many OECD countries, the MEF provides only a very general definition of performance-based budgeting as "a strategy of public management which links the allocation of resources and products and measurable results for the benefit of the population" (Ministry of Economy and Finance, n.d. a).

Peru's strategy for performance-based budgeting is implemented using four instruments: budgetary programmes, initiatives for performance monitoring on the basis of indicators, independent evaluations and incentives to improve management monitoring, defined by the MEF's General Directorate of Public Budget (DGPP), in co-operation with the other entities of the state (Ministry of Economy and Finance, n.d. a) (see Box 3.1). The country's strategy to manage financial and budgetary resources more efficiently is presented in the General Law of the National Budget System (Ley General del Sistema Nacional de Presupuesto) No. 28411. Performance-based budgeting is further defined in Chapter 4 of the law, with a special reference to "complementary norms for budgetary management".[2]

Table 3.2. **Peru's performance budgeting conceptual framework**

Concept	Guidance
Final result (impact)	This is a change in conditions, qualities or characteristics inherent in a population identified in the environment in which it operates or in organisations that serve both the public and private sectors. It corresponds to an objective of national policy.
Specific result (result)	This is the change that seeks to solve a problem on a target population, which in turn contributes to a final result. The specific result is not an end in itself.
Product	This is the hinge co-ordination (delivery) of goods and/or services received by the beneficiary population in order to bring about change. The products are the consequence of having carried out, according to the technical specifications, relevant activities to the expected extent and timing.
Activity	This is an action on a specific and complete list of inputs, which, in conjunction with other activities, guarantees the provision of the product.
Supply	Goods and services necessary and sufficient to carry out the activity.

Source: Presidency of the Council of Ministers, Government of Peru.

As highlighted in the OECD *Multi-Dimensional Review of Peru* (OECD, 2015c), "at the central government level, [Peru's] public investment framework (Sistema Nacional de Inversion Pública), fiscal framework projections and budgeting process are more effective and transparent." Nevertheless, applying the PpR consistently in order to improve the budgeting process and overcome the traditionally slow nature of budgeting to execute expenditures which benefit the population requires implementing the following commitments, identified by the MEF itself:

- steer support to institutions which sincerely aim to achieve their proposed results
- communicate responsibility in achieving results and products to enable accountability
- produce performance information about results, products and production costs
- use the generated performance information throughout the decision-making process on budget allocation and make this information transparent for institutions and citizens (Ministry of Economy and Finance, n.d. a).

The thorough application of these commitments is reflected in the budget allocation of the past fiscal years. For fiscal year 2015, it was foreseen that 65-70% of public expenditures be implemented using programmes with a performance-based budget focus (Ministry of Development and Social Inclusion, 2014). In 2016, this share is to increase to 80%, according to the co-ordinator of the working group on performance-based budgeting and Multiannual Budget Congress (Andina, 2014).

In order to further improve the budgeting process, the Ministry of Economy and Finance identified certain key issues and developed the following commitments:

- overcoming the traditionally slow nature of traditional budgeting in order to cover expenditures which benefit the population
- establishing institutions which sincerely aim at achieving their proposed results
- achieving results and products which enable accountability
- producing performance information on results, products and the production costs.
- using the generated information throughout the decision-making process on budget allocation and making this information transparent for the institutions and citizens (Ministry of Economy and Finance, n.d. a).

The whole process is encountering difficulties, however, linked to the weak knowledge of strategic planning methodologies, insufficient capacities and co-ordination gaps (OECD, 2014).

Certain elements within Peru's budget processes reflect medium-term expenditure framework practices. For example, line ministries have the ability to carry over unused funds or appropriations from one year to another, which facilitates multi-year budgeting for discretionary, operational and investment spending. Taking into account Peru's commitments to strengthen the PpR, Peru's budgetary practices appear to be more in line with an informed or indirect linkage performance budgeting definition (Box 3.1).

Box 3.1. **Performance budgeting: Definition and classifications**

There is no one single definition of performance budgeting. It is subject to numerous interpretations and the term is used to describe diverse approaches. It is possible, however, to distinguish three different categories of performance budgeting in accordance with the use of outputs and/or outcomes measures in resource allocation.

The first category can be referred to as **presentational** – simply that performance measures are presented in budgeting documents or other government documents. In this category performance information is included, at best, as background information only. It does not play a role in decision making on allocations nor is it necessarily intended to do so.

The second grouping is performance **informed** budgeting. This is a form of budgeting that relates fund allocation to measurable results in the form of outputs and/or outcomes. Resources are related to results in an indirect manner. **Indirect linkage** implies that results – along with other information – are being actively and systematically used to inform budget decisions. Performance information is very important in the decision-making process but it does not necessarily determine the amount of resources allocated.

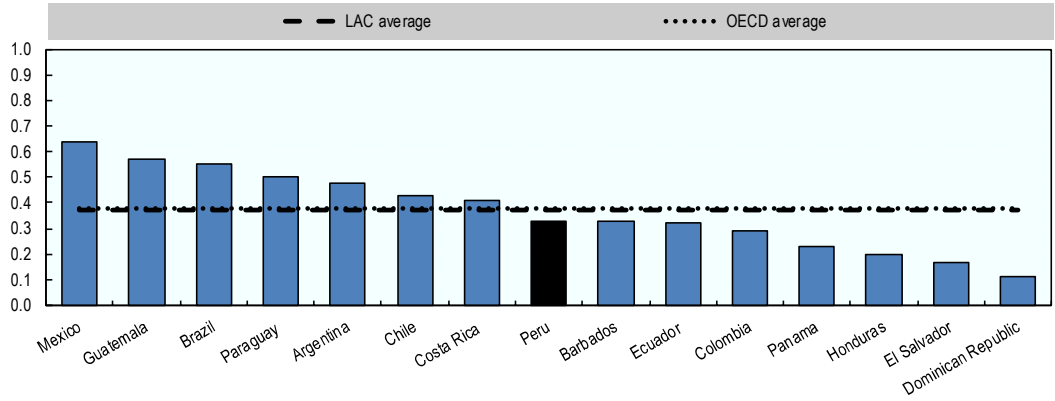
The third category is direct performance budgeting. **Direct linkage** involves the allocation of resources directly and explicitly to units of performance. Appropriations can thus be based on a formula/contract with specific performance or activity indicators. Funding is directly based on results achieved. This form of performance budgeting is used only in specific sectors in a limited number of OECD countries.

Source: OECD (2005), *Government Performance: Lessons and Challenges* www.oecd-ilibrary.org/governance/oecd-journal-on-budgeting_16812336.

Peru's application of performance budgeting is on the average for the region and, therefore, subject to further development, as shown in Figure 3.5.

International experience shows that the introduction of performance information usually results in greater emphasis on long-term planning and improves public management, as the information helps senior officials to better implement programmes to achieve results. It has also been proven that performance budgeting increases transparency and accountability, by the means of the publication performance reports and results, thus helping to inform the parliament and civil society. Finally, benchmarking also shows a positive impact in the efficient use of fiscal space and resource allocation (OECD, 2007).

Figure 3.5. **Use of performance budgeting practices at the central level of government, 2013**



Source: OECD and IDB (2014), *Government at a Glance: Latin America and the Caribbean 2014: Towards Innovative Public Financial Management*, http://dx.doi.org/10.1787/9789264209480-en.

Indeed, in OECD countries and beyond, the national budget is seen first and foremost as a key strategic decision-making tool. The Peruvian government is aware that it needs to be comprehensive, covering all government revenue and expenditures, for three levels of government so that the necessary policy trade-offs between options can be made based on hard evidence from the government's fiscal framework. The budget supplies critical information that constitutes a *sine qua non* condition for implementing strategic decisions rationally. This is in the nature of the strategic tools governments use to affect change. Lacking a modern, responsive, transparent and outcome-focused budget process thus significantly restricts a government's ability to perform and deliver strategic results to citizens and businesses efficiently and effectively.

OECD experience suggests that the purpose of introducing performance budgeting is to improve policy delivery to citizens by managing the country's public finances in a way that enables the government to assess whether spending is achieving strategic outcomes. This is the first of Peru's two objectives in introducing performance budgeting. Performance budgeting strengthens allocative and operational efficiency, multi-year fiscal planning capacity, and transparency and accountability of government. Of course, in practice, the degree to which performance budgeting works relates as much to the stability over time of what is being measured and the results that are supposed to be achieved, along with the degree to which this is cascaded down to operational levels within ministries, as it does to the robustness of the government's overall performance budgeting framework.

Interaction between planning bodies

As seen above, national strategic planning in Peru is conducted from the CoG; in particular, by CEPLAN. However, the MEF is in charge of national budget programming, which uses a multi-year programming horizon (three years) based on the evolution of the economy and financial situation of the country. These two processes are not aligned; formal co-ordination instruments are not as effective as they could be. No mechanisms exist to ensure that CEPLAN's planning process is informed by, and aligned with, the fiscal sustainability analysis and budget programming carried out by the MEF.

This has been acknowledged by the Peruvian government; it has generated the need to find better mechanisms to ensure an adequate degree of coherence between the PEDN and the multi-year budgetary programming through greater co-ordination between CEPLAN and the MEF on an ongoing basis. In fact, this is not an issue faced solely by Peru, but rather a common challenge that many countries face, and not only in Latin America. The solution requires *inter alia* a high level of co-ordination, exchange of information, alignment of priorities, and a clear delineation of duties and enforcement mechanisms. In addition, the lack of enforcement of the National Strategic Development Plan puts pressure on strategic policy-making and service-delivery capacity.

In Peru, managers of public entities play a key role in this respect, as they are responsible for ensuring, through effective co-ordination, alignment of the goals in their entity's operative institutional plan with the institutional budget. Both documents need to align with the strategic institutional plan. In fact, the planning process is not a justification for not fulfilling the financial balance rule, meaning that the strategic objectives, risks and opportunities identified in the planning process have to be managed within the framework of the entity's assigned budget ceiling.

Peru's national monitoring and evaluation system

Independent offices responsible for the monitoring and evaluation (M&E) of government strategy and programming are recognised as international good practice, better than atomising this responsibility across the public administration. However, such offices are not yet universally in place in Latin American countries, as they require a number of pre-requisites and conditions, including good information generation tools and strong technical capacities.

Monitoring activities consist in following up on progress in implementing public policies and programmes, and using this performance information to inform the government, parliament and the public, and to alter course and improve policies and programming when performance is sub-optimal in achieving results. Evaluation means using sometimes complex tools to analyse the final effects and causes of the public interventions. Table 3.3 provides more details on the differences between these two interconnected control activities.

Table 3.3. **Connections between monitoring and evaluation systems**

Monitoring	Evaluation
Reports on progress in achieving the public goals.	Analyses the reasons of the actual results of the public policies.
Links activities and resources with goals.	Studies the connections between activities and results of a public intervention.
Translates targets into indicators that provide information to assess progress.	Assesses if the defined strategy is adequate for the desired results.
Provides systematic and regular feedback to managers on the progress on expected results.	Analyses and explains undesired and indirect results.
By early detection of obstacles and deviations, provides valuable information for decision making.	Discloses the significant contribution of the public action to cover social needs.

Source: Kusek, J. and R.C. Rist (2005), *A Handbook for Development Practitioners : Ten Steps to a Results-based Monitoring and Evaluation System*, http://documents.worldbank.org/curated/en/2004/01/5068054/handbook-development-practitioners-ten-steps-results-based-monitoring-evaluation-system-ten-steps-results-based-monitoring-evaluation-system-handbook-development-practitioners.

In Peru, the original PEDN had 91 indicators. Many of them generated alignment challenges and were not very representative. In the updated plan, this figure was halved, to 46, of which 6 of them are lead indicators to facilitate monitoring:

- To define the system of monitoring, evaluation and accountability of the PEDN, CEPLAN has developed a methodology, oriented to produce follow-up reports on the achievement of the strategic objectives.
- According to Article 10.16 of Legislative Decree 1088, CEPLAN develops "the monitoring and evaluation of the government's strategic management, which involves the monitoring and evaluation of plans and policies, target objectives, programmes and priority projects for national development, in co-ordination with the relevant bodies of the system and reports on their progress, obstacles and opportunities and the level of completion of expected outcomes and results to the President of the Republic and the President of the Council of Ministers on a regular basis".
- This links planning and budget execution, as explained later in this chapter.

The CEPLAN Directive 001-2014-CEPLAN sets a very important milestone, not only for strategic planning, but for M&E as well. It:

- Fosters a culture of monitoring and evaluation to be implemented in the entities which make up SINAPLAN, using standardised criteria both internally and externally in accordance with the context and current needs for information, to enable greater levels of transparency in terms of accountability, focusing management toward results and improved decision making.
- Establishes the coherence of strategic objectives with the national objectives established in the PEDN.
- Contributes to the development of an effective integrated information system to serve as operational support to the SINAPLAN.

The idea is to carry out continuous monitoring of the strategic objectives using indicators and targets in order to provide feedback to the planning process and to anticipate risks and opportunities. Therefore, the indicators primarily seek to determine if the objectives proposed at the national, sector and territorial levels are being achieved, in the framework of the public value chain.

Table 3.4. **Articulation of strategic objectives with indicators and goals**

National goal				
	Specific national goal	Indicator	Target	National
	Sector strategic goal	Indicator	Target	Sector
	Regional/local strategic goal	Indicator	Target	Territorial
	Institutional strategic goal	Indicator	Target	Institutional

Source: National Strategic Development Plan (PEDN), Peru.

As a result of intermediate measurement results, decisions can be adjusted to optimise the achievement of objectives and goals. Having accurate and timely information can lead to a proper measurement of the reality of policy and programming implementation, and can expose gaps between the plan and actual progress. CEPLAN is currently preparing monitoring guidelines for sectors and regions to establish and standardise follow-up procedures and mechanisms among the SINAPLAN entities. Measurement guideposts could include:

- The triple E approach:
  - economy, to reduce the cost of resources used for an activity while maintaining quality
  - efficiency, to increase the output for a given input or minimise the input of a given output while maintaining quality
  - effectiveness, to achieve successfully the intended outcomes of an activity.
- Value for money: the optimum combination of whole-life costs and quality to meet the user's requirement (Jackson, 2012). It can be assessed using the triple E criteria.

FOCEVAL[3] is an intergovernmental strategic partnership that has had a positive effect on raising awareness and promoting a culture of evaluation and transparency as a basis for public policy decision making in Latin America. Promotion and training activities have been conducted at all levels as part of the programme, including in the central government, Congress, civil society, programme and project directors, and public institutions that directly execute planning and M&E. Technical assistance has been provided to produce manuals and specialised training for experts and technicians in specific areas. Key elements of the evaluation system include:

- citizen engagement in the planning and evaluation processes
- coherence and co-ordination between institutions
- increased training and capacitation
- relations between strategic planning and evaluation
- credibility of evaluations
- communication and interaction tools inside National Evaluation System (SINE)
- delimitation of evaluation functions
- capacity of civil servants in evaluation analysis
- technical leadership
- allocation of resources for evaluation
- level of co-operation between key players
- common terminology and methodology
- political will and support
- organisational arrangements for evaluations in the institutions
- institutionalisation of the evaluation in the management cycle
- role of a central co-ordinating institution for planning and evaluation.

Integrated Information System

According to Legislative Decree 1088, the Integrated Information System (SII), managed by CEPLAN, integrates all the relevant data and information concerning strategic planning processes; it represents the foundational support of the planning, monitoring and evaluation process. The SII is a pilot that includes three entities of the central government and five regional governments and aims to be a record and

management system of the information from the strategic planning process, enabling the generation of reports for decision making and permitting the monitoring of the level of completion of the objectives and goals established in the strategic plans and their articulation with the PEDN. The SII includes three components:

1. The designed Information System for Management of Strategic Planning (SIGPLAN), which enables the entities of the public administration to record, manage and monitor the primary data of the strategic plans oriented toward completing the PEDN.
2. The upcoming monitoring system of the government's strategic management (Government Dashboard) for monitoring the level of completion of the government's policy goals.
3. The future Geographical Information System (SIG CEPLAN), which aims to contribute to the M&E of the indicators of the PEDN and supporting the analysis of data related to the regional strategic planning.

In relation to the monitoring system of the government's strategic management, CEPLAN is working on a three-tier system of indicators:

- indicators at a national scale (national key indicators), already defined, which are linked to the completion of the national strategic objectives established in the PEDN
- indicators at the sector level, which measure progress in completing the sector strategic plans
- regional indicators, which aim to measure progress in achieving regional development objectives.

The monitoring process proposed by CEPLAN is being implemented gradually. Thus in the evaluation of public policies, monitoring information will be used to assess the level of completion of strategic objectives and to provide corrective and preventive recommendations. To date, CEPLAN has been working with most of the sectors to implement the prospective and strategic study stages and has worked to raise awareness of these activities in many regional governments. That said, there have not been any evaluation studies of sector-based or regional development plans carried out. CEPLAN's intention is that the evaluation be based on the assessment of the impact and effectiveness of policy and programming in achieving the national, sector and regional development objectives as presented in their respective plans.

The information gathered through evaluations will be used to assess the suitability of the proposed strategic objectives. With regard to interventions through programmes and projects, evaluations will enable the government to measure and assess the effects and impacts on the population in addition to enabling an assessment of the programme's design, processes, cost-benefit and other relevant aspects as applicable.

M&E in the budgeting process

In Peru, as described above, the national budget system[4] is developed by the MEF's General Directorate of Public Budget and benefits from contributions from sector budget units in the ministries and public entities. Budget performance information is collected by the MEF through the PpR:

- Performance information is a powerful tool to enhance accountability, transparency and civil engagement in the implementation of the budget and on fiscal performance in achieving the objectives outlined in the budget.
- It is being gradually implemented through the budget programmes, monitoring actions of performance based on indicators, the evaluations and performance incentives, among other instruments determined by the MEF, through the General Directorate of Public Budget, in co-operation with the other state entities.

Monitoring and evaluation conducted by the MEF commenced in 2008 and since 2010 has been incorporated into the Annual Budget Law. Currently it includes the monitoring of budget programmes (mentioned above), the evaluation of budget design and execution, and budget impact evaluations. The 2015 Budget Law establishes that "the fulfilment of signed commitments will be a condition for evaluating an application for resources in the budget formulation stage corresponding to the public sector budget for fiscal year 2016. For applications involving greater levels of resources that are tied to actions subject to performance improvement commitments, these cannot be granted without showing evidence of progress in the completion of such commitments."

The performance budget is gradually being implemented by the MEF through its General Directorate of Public Budget in co-operation with other state entities. It focuses on the budget itself and monitors performance-based indicators, performance evaluations and performance incentives.

The objectives of these M&E instruments are:

- Monitoring: information about the performance of programmes to inform and use the information in the programing formulation phase. The main outputs are:
  - Monitoring of financial and physical execution: twice a year, based on the information registered in the Integrated System of Financial Administration. It shows the percentage of execution by programme and is sent to parliament and the Comptroller General of the Republic (CGR).
  - Monthly monitoring reports of the financial execution of budget programmes.
  - Annual monitoring of the performance indicators. The number of programmes included in this report has progressively increased.
  - Additionally, the computer software application RESULTA allows interactive access to performance information and the location of any specific indicator. The responsible unit for each programme should ensure the quality of information on indicators sent to the MEF, as well as define baselines and targets, and the cost structure.
- Evaluation: information available concerning the performance of public interventions will be reported and used in decision making on budget allocation. Annual independent evaluation covers 10% of the budget programmes. During 2015, public entities that were the subject of independent evaluations within the framework of performance budgeting had a period of up to five months to determine and validate the performance improvement commitment matrix, as of the date on which the MEF submits its final evaluation report to the relevant entity. The main evaluation instruments are:
  - Evaluation of budget design and execution (EDEP): analysing the logic in the design of a programme and its implementation and performance in terms of

efficiency, effectiveness and quality in the provision of goods and services (Ministry of Economy and Finance, 2015). Since 2008, around 50 EDEPs have been carried out.

– Impact evaluation: measuring the final effects of programmes by using complex analysis tools (Ministry of Economy and Finance, n.d. b), including statistical and econometric methodologies to exclude exogenous impacts. To date, six have been completed and nine are ongoing.5 The General Directorate of Public Budget is implementing two types of impact evaluations:

1. Retrospective, mainly through satisfaction surveys.
2. Prospective, i.e. engaging in a forward-looking evaluation before the implementation or expansion of a public intervention.

– The implementation of these independent evaluations and, in particular, the EDEP, is considered by the MEF a success and has led to substantial changes in the context of results-oriented management. The EDEP constitutes a tool to correct existing problems in public interventions throughout the whole process (Jaramillo Baanante and Gracia, 2015).

Performance indicators should be suitable. A constant review of the design and measurement of indicators is carried out in order to comply with the following SSMART characteristics:

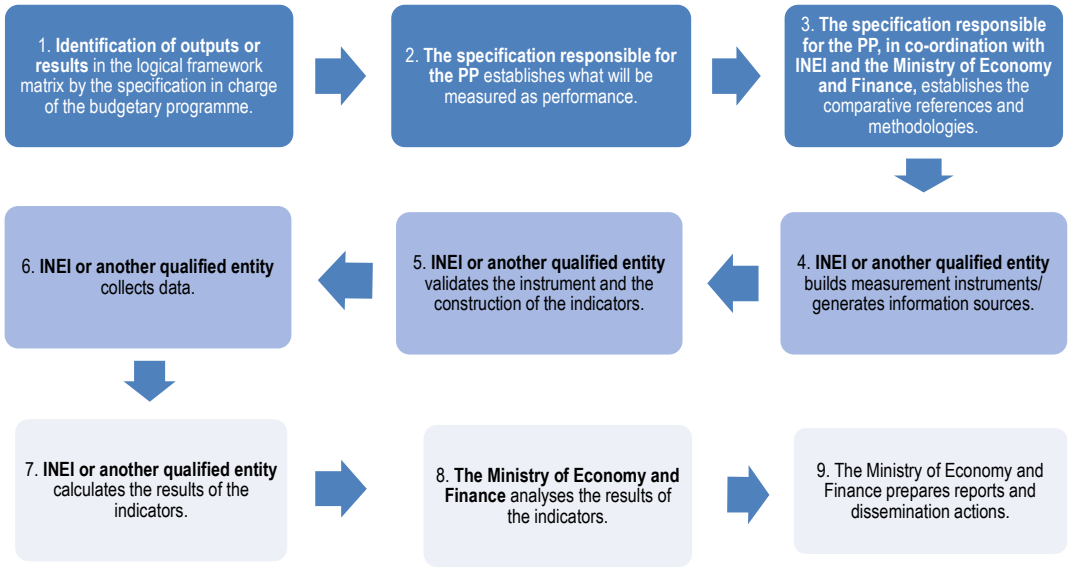
- Simple: the indicator should be easy to prepare.
- Specific: indicates specifically what is measured. Be clear about what, where, when and how they will be measured.
- Measurable: able to quantify the desired changes.
- Appropriate and valid: they must have the ability to actually measure the phenomenon being measured and not others according to the programme logic.
- Realistic: it is possible to measure with the available resources and expertise of the institution in charge.
- Temporary: allows advancing the goals reflected within a specified period.

From a performance standpoint, the dimensions should be:

- Effectiveness: measures the degree of compliance with the objectives, including coverage, targeting and capacity to meet current demand.
- Efficiency: measures the productivity of resources used and the relationship between the output and the inputs used.
- Quality: measures the ability of the intervention to respond quickly and directly to the needs of the target population. For this measurement can be used as reference standards for delivery of goods and services. It includes timeliness, accessibility, accuracy and continuity in the delivery of services, and user satisfaction.
- Economy: measures the ability to properly manage financial resources.

Figure 3.6 summarises the budget performance indicators process involving the different actors and activities.

Figure 3.6. **Budget performance indicators process**



Source: Ministry of Economy and Finance.

Evaluation

Evaluation is the systematic and objective analysis of a public intervention, which requires information concerning the performance indicators to report and to be used in decision making on budget allocation. In Peru, annual independent evaluations fulfil three main goals:

1. learning, as managers may improve performance by using the data on design and implementation
2. feedback, to back the allocation decision in the budget formulation process
3. transparency, as they are publicly available to citizens.

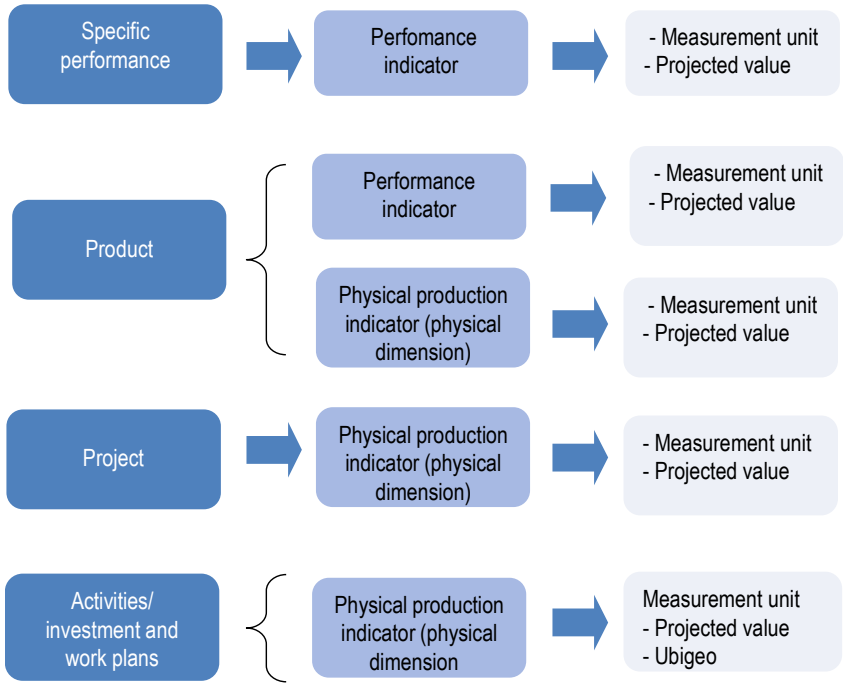
Medium-term fiscal framework

In 2013, Peru approved a new macro-fiscal framework incorporating medium-term fiscal objectives and introducing counter cyclicality into the budget planning process by focusing on the structural balance. As mentioned in Chapter 2, the 2016-18 budget (*Documento Marco Macroeconómico Multianual*) was approved in August 2015. This multi-year approach is referential and is adjusted annually. In addition, fiscal transparency has been enhanced by frequent and efficient fiscal reporting. According to Shack (2008), medium-term fiscal frameworks aim at extending the planning horizon of public policies beyond the annual budget cycle but without the characteristic deficiencies of medium-term development plans. This is a major budgetary reform that is being implemented by many OECD countries. The majority of Latin American countries have only adopted it in the last 10-15 years, to complement the classical fiscal rules.

In the presence of sizeable increases in revenue windfall in Chile, Colombia, Mexico and Peru, the introduction of medium-term fiscal and expenditure frameworks created the

necessary budget discipline to manage expenditure in an anti-cyclical manner. In the case of Peru, public entities try to improve the link between the budgeting and strategic planning processes, in particular at the institutional level. However, co-ordination between CEPLAN and the General Directorate of the Public Budget remains weak.

Figure 3.7. **Indicators by level of objective**



Source: Ministry of Economy and Finance.

In sum, while all entities make the effort to improve the link between budgeting and strategic planning, in particular at the institutional level, co-ordination between CEPLAN and the MEF's General Directorate of the Public Budget remains weak; the PEDN and the MEF's multi-year fiscal framework, and their M&E processes, have yet to be meaningfully linked. Performance information on national spending under the budget programmes is not used to inform the PEDN or successive iterations of the transparency and accountability framework, thus underscoring their ultimately limited utility for the government, the Congress and citizens.

Other key actors in the M&E process

The Comptroller General of the Republic

The Comptroller General of the Republic (CGR) was created in 1929. In Peru, the framework governing the public control system is established in the Constitution: external control institutions are completely independent from the government. According to Article 82 of the Constitution, the CGR is a decentralised and autonomous public entity. It is the superior body of the national control system, supervising the legality of the execution of the budget and the public actions. The CGR also directs and oversees the public audit system, in order to strengthen public management and the transparency and accountability of the administration.

The CGR is further regulated by Organic Law 27785 of the national control system of 2002 with respect to its scope, organisation, competencies and functioning to ensure a correct, efficient and transparent use of public resources; the honest behaviour of the authorities and civil servants; and compliance with the goals established to pursue the general interest of the nation. In addition, according to its webpage, its mission is to promote effective and modern management of public resources to the benefit of citizens. It develops these functions according to the principles of honesty, justice and prudence.[6] The CGR has also focused on increasing public transparency. Its work in this field has been useful to develop transparency tools such as online platforms.

The Comptroller General is appointed by Congress, on proposal of the executive branch, for a period of seven years. Regional and local governments are also subject to the control of the CGR, which has organised a permanent and decentralised control system. Its role has evolved from strict administrative legal posterior control to management audit (strategic, management and operational processes).

Ministries' responsibility in M&E in budget planning

Ministries' functions include "responsibility for formulating, co-ordinating, implementing, executing, supervising and assessing national and sector policy under its competence at all levels of government" (Article 23 of Organic Law 29158 of the Executive Branch). However, this provision has not yet been fully implemented in each ministry.

External oversight and audit help to ensure that the strategic vision and its implementation stay on track and that the CoG – together with the other relevant actors – remains accountable for progress, and can be challenged if progress is lacking. In OECD countries, courts and administrative tribunals also usually provide valuable independent perspectives on the efficiency and effectiveness of government policies.

Co-ordination issues frequently arise in many countries regarding control activities. The objective is to co-operate to avoid duplication and overlap in audit and evaluation exercises. A good benchmark in the Latin American region is the Mexican case (Box 3.2).

Recent developments: Unified System of M&E in Government (SURE)

SURE[7] is the proposed integrated system in Peru consisting of a set of principles, rules, procedures and instruments to organise the M&E activities within the framework of the performance budget reform. The system aims to ensure the effectiveness of the M&E policy in order to register, assess, evaluate and manage performance evidence to be able to correct course to achieve the expected outputs and outcomes that have been prioritised by the government and are mandatory for all public entities of the three levels of government.

- To this end, a proposal was made to produce guidelines for a strategic axis of monitoring to define the value chains of the main policy objectives and their link to the budget programmes, criteria for the definition of goals and national indicators, mechanisms to correct inadequate trends, and monitoring tools.
- In parallel, guidelines for the evaluation axis would include a definition of the objective of the evaluation and analysis, planning the evaluation accordingly, analysing the main components, defining the evaluation tools, and identifying the baselines and main gaps.

- A specific unit in the CoG would be in charge of managing the SURE system, with adequate sector and territorial co-ordination (stocktakes) across the planning system, respecting the functions of the existing actors in defining the goals and indicators within the framework of their sector/region, and producing information relevant to M&E in the performance budget. The evidence obtained from the M&E activities would be reflected in technical notes, proposals and action plans, to contribute to correcting deficiencies and improving the public provision of goods and services.

Box 3.2. **Mexico's control system and it recent reform**

In Mexico, a significant number of control institutions within the public administration exercised internal and external audits: the Public Service Secretary, the internal control bodies of the federal administration, the Auditor General's Office1, the Supreme Federation Audit Office, the supreme local audit offices and the internal audit units of the independent constitutional bodies.

However, insufficient co-ordination between these institutions resulted in sub-standard performance. The Auditor General's Office[1] confirmed that the opacity and corruption in public resource management had not been curbed due to the atomisation and disparity in efforts on the part of the different audit institutions at the three levels of government. The diagnosis was clear: Mexico had proper audit institutions but due to a lack of co-ordination and a wide range of methodologies, results were not as expected. Key challenges were: 1) disengagement between institutions; 2) different legal frameworks and roles; 3) the level of independence; 4) technical aspects regarding the planning of the audits, the methodologies and the different deadlines to present the results.

In 2010, Mexico launched a reform called the "National Auditing System" (Sistema Nacional de Fiscalización, SNF). The reform examined in detail the public management and use of public resources within the control system. The reform was framed by a set of interrelated principles and activities to establish effective co-ordination between all institutions exercising auditing and control functions in Mexico. The key outcomes sought by the reform are:

- eliminate overlaps, omissions and contradictions
- boost the effectiveness and broaden the scope of performance evaluations.

The implementation of the National Auditing System seeks to provide certainty to those public entities being audited and to guarantee to citizens that the evaluation of the management of public resources is exercised in a more organised, systemic and comprehensive way. The plan to implement the National Auditing System has six strategic objectives, as outlined below.

Implementation Plan for the National Auditing System

Objective 1: To define standards for the audit planning, execution and reports

- To define a common regulation to develop the audits at all levels of government, in line with international rules.
- To revise the internal control process through appropriate patterns, highlighting the importance of prevention and early detection of irregularities.

Objective 2: Personnel trainee

- Establish trainee programmes covering all the fiscal institutions and peer reviews, with the aim of improving the professional quality of the public auditors.
- The trainee programme will be based on the areas in which the members of the National Auditing System are most interested.

Box 3.2. **Mexico's control system and it recent reform** (*continued*)

Objective 3: Exchange of information and joint work

- Identify common areas to exercise joint audits or co-ordinated audits between institutions. Use this information to define annual programmes of audits involving all audit institutions.
- Promote internal control in the entities audited, through technical assistance and institutional support.
- A peer review plan to exchange experiences and best practices between the audit institutions should be part of the system.

Objective 4: Changes to the legal framework related to audit

- Conduct a survey to identify the necessary changes to the legal framework from the point of view of the members of the system.
- Amend laws and regulations in order to encourage continuous improvements in the performance of supreme fiscal audit offices and internal control offices.
- Make a new law on the National Auditing System to make the implementation of principles, methodologies and audit regulation binding.

Objective 5: Boosting the achievements of the fight against corruption

- Define and approve a common framework with general criteria for prevention, detection, deterrence and punishment regarding corruption behaviours.
- Promote public management transparency and evaluation, incorporating best practices.

Objective 6: Strengthen the role of audit institutions in defining public employees' responsibilities

- Define effective disciplinary mechanisms, taking into account the disciplinary competences of each member audit institution of the system.
- Lay down common guidelines about the disciplinary proceedings.

The Mexican reforms are in their early implementation phase. It is still too early to assess the results. However, a strategy to monitor their impact has been designed in order to evaluate the results achieved.

Notes: 1. In Spanish, Auditoría Superior de la Federación. 2. On 17 February 2010, during the presentation of the Auditing Results of the Public Accounts for 2008 in the parliament, the Auditor General's Office mentioned for the first time the need to set up a National Auditing System. Later, due to the importance of the implementation of a National Auditing System in Mexico, the Auditor General's Office included that target in the Strategic Plan for 2011-17.

Source: OECD (2013a), *Colombia: Implementing Good Governance*, http://dx.doi.org/10.1787/9789264202177-en.

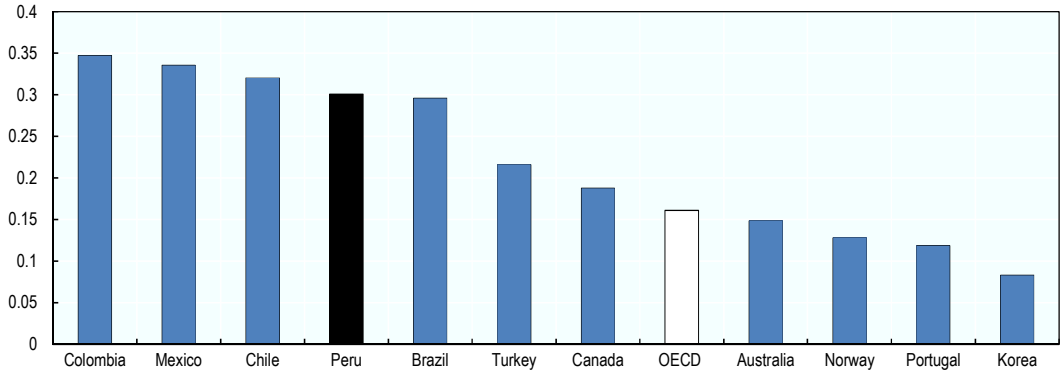
This system may help optimise the resource allocation of the budget process in accordance with government priorities. However, to achieve this goal, the link between the budget and the national strategic plan needs to be clearly sustained by integrating CEPLAN's activities into the whole MEF process at all stages; this is not an obvious conclusion of the SURE report.

Planning and M&E capacities at sub-national level

The decentralisation process has not been successfully completed in Peru (see Chapter 4). Co-ordination problems with the central government, weak subnational institutions, political fragility and an inefficient allocation of resources have reduced the effectiveness of the decentralisation process. The current decentralisation framework was initiated in 2002 with constitutional reforms aimed at increasing the fiscal resources and the political power of regional and local governments. However, as shown in Figure 3.8, it has not succeeded in reducing regional disparities.

Figure 3.8. **Regional income disparities in Peru**

Gini Index of inequality of GDP per capita, 2012 or latest available data



Source: OECD (2015c), *Multi-dimensional Review of Peru: Volume 1. Initial Assessment*, http://dx.doi.org/10.1787/9789264243279-en, based on data provided by INEI and OECD (2015d), *OECD Regional Database*, http://dx.doi.org/10.1787/region-data-en (accessed on 19 March 2015).

Given the limited institutional capacity in subnational institutions, better co-ordination with the central government is needed to improve the effectiveness of regional public expenditures in achieving policy outcomes and results for citizens. The fiscal transfer system lacks the co-ordination between different levels of government that is needed for efficient resource allocation. In practice, a discretionary framework at the vertical level defines the subnational allocation of resources.

Subnational authorities require effective support from the central government to improve the efficiency of expenditures from regional transfers. Furthermore, fiscal transfers are not accompanied by a clear definition of the responsibilities of the different levels of government and the political and strategic goals they are to pursue with the transfers.

The institutional framework governing decentralisation lacks internal controls and checks and balances on decisions taken by mayors. Weakness not only in capacity issues at the regional level to generate robust regional performance data on policy and service being executed regionally, but also in the planning of public policies by the political and administrative level actors, limits the efficiency of subnational expenditures, particularly those at the provincial level. This affects the planning and prioritisation of policies at the subnational level. This is described in detail in Chapter 4, as well as in the *OECD Territorial Review of Peru* (OECD, 2016).

Assessment

OECD Principles of Performance Management

International experience suggests that strategic planning works better when it is built on clear objectives, quality data and a culture of continuous improvement. If indicators are not complemented with in-depth qualitative analysis or are imprecise, there is a risk that an exclusive focus on "what is measurable" leads to the non-measurement of other important performance objectives. The OECD has developed guidance to support governments to put in place a successful central management system (Box 3.3).

Box 3.3. OECD Principles of Performance Management: From setting objectives to measuring results: A seven-step process

Performance measurement and evaluation need to be integrated into all major policy initiatives both *ex ante* and *ex post*. These tools are critical to evaluate policies so as to identify successes and failures, and to improve policies accordingly. The process of performance measurement includes the definition of concrete and measurable objectives and an evaluation of whether they have been achieved. It helps to ensure that strategies inform daily decision making, to enhance accountability and credibility, and to communicate progress. Performance measurements work best if they build on clear objectives, good-quality data, and are embedded in a culture of constant learning and improvement.

There are risks, however. If measurements are not complemented with more in-depth qualitative analysis these indicators lead to a situation in which reward is given to programming that is not achieving its intended result, or is achieving perverse outcomes. Moreover, an exclusive focus on "what is measurable" leads to the discounting or non-measurement of other important performance objectives.

The OECD has developed a seven-step methodology to help policy makers set objectives for their policies and assess whether they have been achieved. Figure 3.9 provides a concrete illustration of the application of the seven-step method to a policy on strengthening the enforcement of traffic regulation to reduce traffic causalities.

Step 1: Establish priority policies

For indicators to provide valuable information, they must be properly rooted in policy itself. At the same time, it is unrealistic, and perhaps undesirable, to link indicators to all policy initiatives. Thus, policies need to be prioritised according to their ability to help government meet its strategic objectives. A priority policy should be articulated as a consistent course of action expressed as a causal and concrete statement (see Figure 3.9).

Step 2: Define the targets

A target is a concrete goal that states the degree or level of achievement expected with respect to its associated priority policy. Targets are most directly linked to results indicators, and the degree or level of achievement that a target measures can be based on a variety of comparative parameters, depending on the base comparator and the results being sought.

Step 3: Identify key activities

An activity is a specific programme, initiative or project that clearly supports reaching a target. Activities must be systematically and clearly linked to targets and should be expressed as action verbs. Thus, "train", "implement" and "build" all work well to lead an "activity statement" but "improve", "strengthen" or "enhance" for example, do not.

Box 3.3. **OECD Principles of Performance Management: From setting objectives to measuring results: A seven-step process** (*continued*)

Step 4: Build output indicators

An output indicator measures progress with an activity, and thus these two components should be clearly linked. A well-constructed output indicator is measurable. Thus, it must be quantitative (i.e. expressed in physical or monetary units) and time bound (i.e. limited to the lifetime of the corresponding activity). One key question to ask when establishing an output indicator is what will be produced by the activity being measured?

Step 5: Build results indicators

A results indicator measures the results of activities in terms of their contribution to corresponding targets. Thus, they are closely associated with targets.

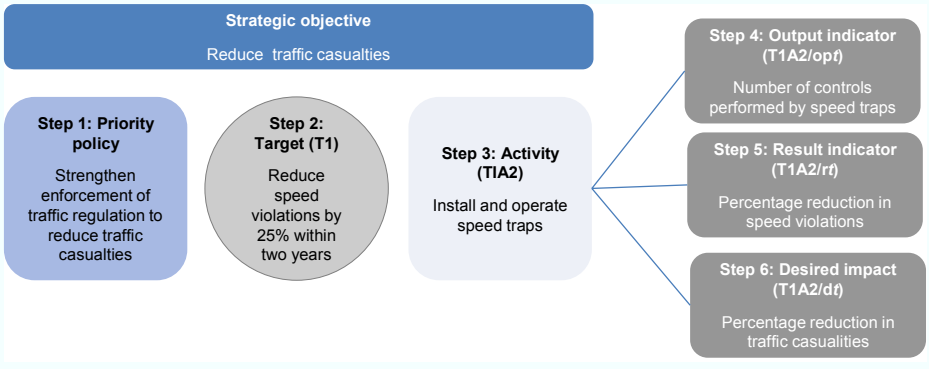
Step 6: Identify the desired impact

An impact indicator sets a longer term perspective and provides insights on the effect that one or more key activities have on the priority policy, and ultimately on the strategic objective. Impact indicators are particularly difficult to develop because attribution or causality is hard to establish – i.e. making a direct and complete link between the activity's impact and policy objective can be difficult. This is because other factors, often not within the control of government, may be involved with meeting a strategic or policy objective. Thus, it may be more rewarding and appropriate to identify desired impact – the desired impact of an activity on a priority policy, and more fundamentally the desired impact of a priority policy on a strategic objective. Such a conversation can: 1) help focus policy thinking by providing a framework or an orientation within which other decisions can be taken; 2) inspire extended institutional and individual effort.

Step 7: Identify appropriate qualitative research methods

There are many approaches to determining the effectiveness of activities and/or priority policies. Output, result and impact indicators may signal problems and trigger governments to "dig deeper" to find the causes of the problem and identify the appropriate actions. Qualitative research methods can add value to the indicators and an understanding of policy effectiveness. Such research methods can include case studies, focus groups, interviews and reviews (e.g. OECD peer reviews).

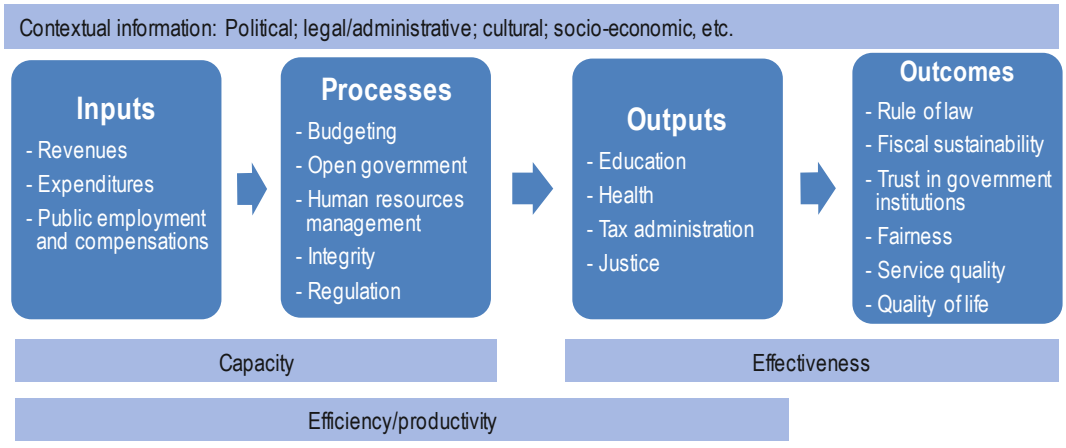
Figure 3.9. **Illustration of the seven-step methodology**



Source: OECD (2013d), *Poland: Developing Good Governance Indicators for Programmes Funded by the European Union*, http://dx.doi.org/10.1787/9789264193543-en.

Another element to take into account is the distinction between policy or spending outputs and outcomes. Outcomes differ from outputs in that they focus on achieving the intended impact of policies. It is common that the evaluation of a policy or a spending decision focuses on the output rather than on actually measuring the ultimate impact of the public policy or spending decision over the short, medium and long term. Indeed, measuring performance against strategic outcomes implies a multi-year perspective. Moreover, a whole-of-government approach is needed to measure outcomes, as they are frequently multi-dimensional, crossing administrative boundaries and involving more than one administrative entity or ministry in their identification and definition. Some examples of public policy outcomes are: quality of life, satisfaction with goods and services provided, policy fairness, the rule of law, or the benefits of citizenship. The interaction between different elements in a performance measurement framework is outlined in Figure 3.10.

Figure 3.10. **Performance measurement framework**



Source: Seminar on outcomes-based whole-of-government performance assessment; OECD (2014), *Spain: From Administrative Reform to Continuous Improvement*, http://dx.doi.org/10.1787/9789264210592-en.

Strategic foresight in OECD countries

Long-term scanning and foresight provide governments with the information needed to achieve strategic insight, incorporating future concerns and contexts into medium-term strategic planning. From these efforts, governments can be in a better position to articulate a strategic vision for the country and for the government's plans to implement such a strategic plan – based on available information and input from citizens, businesses and civil society, and aware of future opportunities and risks.

A strategic vision is the expression of a government's desired or intended future for the country. In a context of less and less predictability and greater complexity in identifying future challenges and priorities properly, governments need to engage in long-term visioning with an increasing multiplicity of internal and external actors if medium-term strategic planning is to reflect emerging trends, challenges and opportunities effectively. Strategic foresight helps governments look ahead to identify future risks and opportunities as a means of prioritising and focusing government policies over the medium term. Indeed, many OECD countries undertake strategic foresight activities.

Table 3.5. **Examples of foresight programmes**

Australia	Australia has recently begun to use government foresight systematically. The Commonwealth Scientific and Industrial Research Organisation (CSIRO), Australia's national science agency, has a dedicated team (CSIRO Futures) working on foresight in energy, transport and other fields. It produces "Our Future World" updates every two years on global megatrends. Multiple other departments do some foresight work. Every five years the Treasury department produces a report on long-term issues (40-year forecast) to help short-run decision making. The establishment of the Strategic Policy Network with representatives from every department, led by the Department of the Prime Minister and Cabinet, may impact foresight use for strategic policy.
Canada	Multiple government departments have used foresight, and this has increased in the last few years with the creation of Policy Horizons Canada (PHC), a centralised agency for doing foresight work and building foresight capacity in government. The PHC is directed by a high-level steering committee of deputy ministers and reports to the Privy Council. Parts of the Department of National Defence, including the Directorate of Future Security Analysis, use foresight for capabilities and personnel planning, primarily for internal audiences. Multiple other departments pursue some foresight work on economic, social and technological issues within their policy departments.
Finland	Foresight is well-integrated into Finnish policy planning. The Government Foresight Report, prepared through wide consultation by the Prime Minister's Office, is prepared at the start of the mandate for a new incoming government. During the mandate, the Government Foresight Network develops a report on the Finnish policy-making environment and each ministry has dedicated staff to develop Ministries Futures Reviews. The Finnish parliament's also has a Committee for the Future to pursue and review foresight work.
France	France has, together with Finland, the longest-established foresight programme in Europe, with policy-focused foresight services in almost every department. The Centre d'analyse stratégique works directly under the Prime Minister to advise on policy formulation and implementation. The Senate has a delegation dedicated to foresight to reflect on socio-economic transformations through scenario-building. The French Ministry of Defence has a Délégation aux affaires stratégiques which carries out regular analyses of long-term international geostrategic issues.
Germany	Over the last 20 years, Germany has developed a decentralised mix of foresight projects in departments at federal and *Länder* levels. The Federal Ministry of Education and Research (BMBF) is the main government agency involved in foresight, including through its "Futur" project on research planning. At both the national and regional levels, particularly in Bavaria and Baden-Württemberg, foresight projects (both internal to government and by external agencies) study a wide range of technological, industrial and social science issues.
United Kingdom	Government foresight in the United Kingdom is dominated by the UK Foresight Office, a central agency of government that reports directly to Cabinet, and is headed by the Chief Scientific Advisor. It was originally dedicated to technology and industry but now has a broader thematic mandate to look at challenges for the future, pursuing major foresight projects, horizon scanning and training activities across government. Separately, the Development, Concepts and Doctrine Centre (DCDC) and the UK Defence Science and Technology Laboratory (DSTL) do foresight and horizon scanning for the Ministry of Defence.
United States	Well-established, but decentralised, foresight programmes are scattered throughout the US government. Many agencies (state, the Federal Emergency Management Agency, Defense, Treasury, Energy, Office of Management and Budget and especially the Government Accountability Office) have strategic planning capacities that use foresight to varying degrees. The National Intelligence Council produces major Global Trends Reports every four years. As the world's foremost producer and user of foresight work in the last half century, the US military has an array of strategic planning and intelligence organisations, in which foresight work is well entrenched to inform planning.

Source: Dreyer, I. and G. Stang (2014), "Foresight in governments: Practices and trends around the world", www.iss.europa.eu/fileadmin/euiss/documents/Books/Yearbook/2.1_Foresight_in_governments.pdf.

In Peru as in other countries, the central government needs to be able to tackle the more complex policy challenges of the future with the contribution of as broad a range of expertise as possible, including with buy-in from the subnational level. It therefore needs to consult genuinely with municipal and regional public authorities and their local civil society representatives, and encourage their participation in the selection of foresight topics and in generating results from foresight activity. For instance, Australia held a summit in 2008 that brought together a wide range of individuals from different national, regional and local backgrounds, and with different expertise and experience to brainstorm the long-term challenges affecting the country's future (Box 3.4).

Box 3.4. **The Australia 2020 Summit**

In April 2008, the Australian government convened the Australia 2020 Summit to foster a national conversation on Australia's long-term future. The summit aimed to harness the best ideas for building a modern Australia ready for the challenges of the 21st century. The summit brought together 1 000 participants – "some of the best and brightest brains from across the country" – to think about long-term challenges confronting Australia's future, requiring responses at a national level beyond the usual electoral cycle period.

The summit, held in Canberra, the nation's capital, generated more than 900 ideas over two days. Participants debated and developed long-term options for Australia across ten critical areas:

1. the productivity agenda – education, skills, training, science and innovation
2. the future of the Australian economy
3. population, sustainability, climate change and water
4. future directions for rural industries and rural communities
5. a long-term national health strategy – including the challenges of preventative health, workforce planning and the ageing population
6. strengthening communities, supporting families and social inclusion
7. options for the future of Aboriginal and Torres Strait Islanders
8. towards a creative Australia: the future of the arts, film and design
9. the future of Australian governance, renewed democracy, a more open government (including the role of the media), the structure of the federation and the rights and responsibilities of citizens
10. Australia's future security and prosperity in a rapidly changing region and world.

The summit had the following objectives:

- to harness the best ideas across the nation
- to apply those ideas to the ten core challenges for Australia identified by the government
- to secure the long-term future of Australia through 2020
- to provide a forum for free and open public debate in which there were no pre-determined "right" or "wrong" answers
- to produce options for consideration by the government for each of the summit's ten areas following the meeting
- to allow the Australian government to produce a public response to these options with a view to shaping the nation's long-term direction from 2009 and beyond.

The Department of the Prime Minister and Cabinet provided the secretariat for the summit and was responsible for co-ordinating the development of the summit report and the Australian government's response to the summit, as well as the implementation of forthcoming policies and programmes.

Source: OECD (2013a), *Colombia: Implementing Good Governance*, http://dx.doi.org/10.1787/9789264202177-en.

Although Peru has established a ten-year planning horizon for its medium-term National Strategic Development Plan, CEPLAN has identified time horizons of 2030 and 2050 for its long-term vision. This initiative is still being developed in open consultation with stakeholders (citizens, sectors and regional governments), seeking their views on a vision for 2050;[8] the government does not yet use long-term foresight to assure the strategic objectives articulated in the PEDN.

The government of Peru could therefore consider building on its current strategic planning instruments to identify emerging policy challenges and long-term trends to enable it to define long-term strategic objectives which could be used to inform the PEDN.

Poland's experience in embedding the results of long-term strategic forecasting into medium-term planning might be instructive here (OECD, 2013d). In 2004, Poland's accession to the European Union not only generated new opportunities for its social and economic development, but obliged its governments to meet a number of membership-driven conditions. One initial basic governance condition was the requirement to implement efficient strategic management mechanisms to apply EU policies successfully (and absorb the considerable amounts of EU funding the policies deliver). Accordingly, an initial key challenge facing Poland's central government was the design and adoption of legal, institutional and organisational arrangements enabling the harmonisation of its national social and economic development policy framework with the policy and administrative requirements of the EU's Cohesion Policy.

In 2006, the government of Poland initiated the development of a strategic whole-of-government development management framework. The first step was the adoption of the Act on Development Policy (2006), which established a government responsibility centre to shape and co-ordinate Poland's development agenda. This legislation used a set of interconnected action plans to sustain permanent and balanced national development along with regional and spatial socio-economic cohesion, all the while enhancing competitiveness and stimulating job creation nationwide, regionally and locally.

During the lead-up to preparing the development management framework, the government conducted a review of its stock of development strategies, programmes and plans. It determined that between 1989 and 2006, the Council of Ministers had adopted no fewer than 406 national strategies, all with different formal status, rank, co-ordination mechanisms and degrees of implementation. The government concluded that 140 were already useless; a further 146 had ceased to be binding owing to the expiry of their programming periods; while only the remaining 120 were still relevant. Hence, in November 2009, Poland's Council of Ministers passed the Development Strategy Rearrangement Plan, updated in April 2011, as a means to reduce the number – and rearrange the importance – of binding strategies. Since 2010, only strategic initiatives compatible with the new system have been developed by ministries and agencies and approved by the Council of Ministers.

In compliance with Poland's development management framework, development policy is now executed by the Council of Ministers as well as by subnational governments at the *voivodship* level (equivalent to Peru's *departamentos*) and local levels. The development management framework broke from the narrow, sector-based approach of traditional strategies by identifying interrelationships between various policy issues and focusing on enhancing policy integration as a means to build synergies between strategic plans to optimise the achievement of integrated development policy

outcomes. Table 3.6 presents the three basic categories of strategic initiatives developed within the development management framework.

The key national, long-term development strategy for the country is articulated in *Poland 2030: The Third Wave of Modernity – A Long-Term National Development Strategy*. This strategy identifies key domestic and international challenges that are affecting Poland's development. It then presents a comprehensive long-term vision for Poland's national social and economic development that takes into account the country's social, economic, environmental, territorial and institutional dimensions.

How the government intends to implement this long-term vision is presented in its key medium-term strategic framework entitled the Medium-Term National Development Strategy 2020, using a ten-year time horizon. This medium-term implementation framework integrates the European Union's policy objectives under its Europe 2020 strategy for growth, and identifies the fundamental policy drivers, objectives and directions for national development. It focuses on achieving an effective and efficient state, a more competitive economy and greater social and territorial cohesion:

- National Development Strategy objectives are implemented through a series of nine theme-based, multi-dimensional medium-term strategies (e.g. on innovation; the national transportation system; environmental sustainability; labour force development, education and training; etc.)
- designing and implementing each theme-based strategy requires extensive, close, ongoing collaboration between different ministries whose mandates, policy tools and programming resources relate to the theme
- this co-ordination across administrative silos is assured by the lead ministry responsible for the strategic theme
- strategies are implemented under the oversight of the Council of Ministers or a dedicated committee of the council established for this purpose.

Peru is pursuing improvements to its strategic planning and M&E instruments. This presents an important opportunity to strengthen strategic planning as a key policy instrument to set priorities, allocate resources, and set measurable goals and objectives, taking as a starting point clear and relevant baselines.

As stated in Chapter 2, whole-of-government policy co-ordination led by the centre of government could be strengthened significantly. This general statement is also fully applicable to strategic planning activities. This is particularly valid for the interaction between CEPLAN and the Director General of the National Budget. Indeed, separation and lack of common vision between these two key bodies is recognised by the authorities, and needs to be addressed. The PEDN is conceived using a planning horizon of a decade, but financial resources for its implementation are not secured or integrated into the plan, as budgetary programming is a parallel process led by the MEF using a much shorter time period: three years. In addition, CEPLAN's and the MEF's M&E systems do not appear to be linked. Peru could hence also enhance the use of financial performance information in strategy setting and implementation, and policy performance information in budget formulation and execution, ensuring that this information is integrated simultaneously into the PEDN and budget formulation, execution and update processes.

Table 3.6. **Profiles of strategic initiatives in Poland's strategic development management framework**

Category	Time horizon	Profile
Long-term national development strategy entitled: *Poland 2030. The Third Wave of Modernity. A Long-term National Development Strategy*	15-year (long-term) implementation perspective – a horizontal, comprehensive strategic framework	Specifies the main trends and challenges that arise from the internal development of Poland as well as changes in its external environment. Includes a comprehensive idea of national social and economic development viewed from a long-term perspective in consideration of its social, economic, environmental, territorial and institutional dimensions.
National Spatial Development Concept	20-year perspective (long-term)	The most important document dealing with Poland's spatial management. Its strategic objective is to use the available space effectively in consideration of its differentiated development potential in order to improve: competitiveness; the employment rate; effectiveness of the state; social, economic and spatial cohesion in a long-term perspective.
National Spatial Development Plan	In accordance with the National Land-Use Development Perspective	An operational plan of spatial development formulated in accordance with the National Spatial Development Concept.
Medium-Term National Development Strategy	Four- to ten-year development perspective – a horizontal and comprehensive document, includes provisions of the Long-Term National Development Strategy	Specifies the fundamental determinants, objectives and directions for national development along the social, economic, regional and land-use dimensions implemented via the development strategies with the aid of development programmes. The medium-term perspective permits the formulation of more specific objectives as well as tools for their implementation.
Other development strategies	Usually with a four- to ten-year implementation perspective, but not longer than the implementation perspective of the Medium-Term National Development Strategy	Related to the areas indicated in the Medium-Term National Development Strategy. Subject to concordance evaluation with the Medium-Term National Development Strategy. The category includes: – nine integrated development strategies – a supra-regional strategy – *voivodship* development strategies.
National Strategic Reference Framework (National Cohesion Strategy)	Corresponds to the EU programming period (medium-term)	Determines development activities to be undertaken in order to achieve strategic objectives of European Cohesion Policy. It is a guideline for using Structural Funds and the Cohesion Fund and provides framework for the preparation of operational programmes.
Operational programmes	Implementation of the EU Cohesion Policy	Developed and implemented at national and regional level in order to utilise the EU Structural Funds and the Cohesion Fund. Operational programmes achieve the objectives set by the National Cohesion Strategy and development strategies. Operational programmes include: – national operational programmes – regional operational programmes.
Programmes	Pursuant to national legislation	Operational documents for the development strategies, including: – multi-year programmes – *voivodship* programmes.

Source: Zawicki et al. (2012), in OECD (2013c), *Poland: Implementing Strategic-State Capability*, http://dx.doi.org/10.1787/9789264201811-en.

There is also a need to reinforce the links between the PEDN and planning at the regional and local levels. Coherence and alignment of objectives in strategic and operational plans need to be ensured at all levels. It is also important to generate proper robust regional performance data and use them to target resources to improve outcomes on the ground, in particular in the poorest regions and communities of the country.

Peru also displays limited capacity for strategic foresight to improve evidenced-based decision making. Efforts have been made with the update of the PEDN; 2016 and 2021 objectives are still pending approval. But strategic foresight refers to the long term (exceeding ten years), including planning scenarios based on horizon scanning. CEPLAN aims to finalise its public consultation soon and develop a country vision to 2030 and 2050.

In the area of M&E, despite progress made and notwithstanding upcoming improvements, there is a consensus among senior officials and observers of the need to improve significantly the culture of evaluation in the public administration, as well as of M&E methodologies, dissemination and training, as highlighted above. Some of the weaknesses identified by the authorities are:

- poor record keeping and quality of information in the public entities
- lack of experience in defining long-standing national key indicators and analysing data
- insufficient information available, and limited M&E capacity, at the regional and local levels
- insufficient timeliness in receiving information and feedback
- reactive approaches, passive corrective actions only driven by regulatory requirements
- weak effective co-ordination, both vertical and horizontal, among entities in the public administration at all levels
- insufficient technical capacities and M&E tools.

An interesting example of a comprehensive, integrated, government-wide evaluation tool is the government of Colombia's SINERGIA. For over 20 years Colombia has been developing information management tools to implement performance-based budgeting. The genesis of performance management in Colombia is its 1991 Constitution, which established the obligation to monitor and evaluate public policies. To fulfil this mandate, the government developed SINERGIA (Box 3.5), a set of M&E tools (the National System of Public Management Results Evaluation).

Box 3.5. **Colombia's SINERGIA**

Colombia has developed and refined a comprehensive system of information to monitor and evaluate the country is reaching its main goals. This system, inspired by international experiences such as the Delivery Unit in the United Kingdom and the White House Dashboards, has allowed the country to discuss its priorities as well as identify its biggest challenges. Through this system, Colombia has integrated all of the information from the different entities and sectors, with diverse indicators, clear guidelines and targets. Through a complete set of indicators it has developed user-friendly dashboards and traffic lights to display the information.

The Colombian Constitution requires that all public policies be monitored and evaluated, and SINERGIA is the national system responsible for doing so. SINERGIA is led by the Direction of Public Policy Evaluation within the National Planning Department and the Presidency of the Republic. It must be implemented by all subnational governments, with the aim of aligning municipal and departmental policy interventions and investment agendas with those of the National Development Plan (this monitoring component is called SINERGIA TERRITORIAL). SINERGIA measures the progress and goals of the projects included in the National Development Plan through three main tools.

Box 3.5. **Colombia's SINERGIA** *(continued)*

1. SISMEG (monitoring): a set of performance indicators which measures policy outputs and outcomes as identified by the National Development Plan. It is built following a pyramidal structure with three main levels: strategic, sector and management. Strategic indicators are at the top and are related to the main government pillars as stated in the National Development Plan. These are followed up by the President and the Council of Ministers. Sector indicators describe sector-specific goals and are monitored by the President and each minister in bilateral meetings and within each ministry. Finally, management indicators are standard indicators that are measured for all of the entities to track institutional efficiency.
2. SISDEVAL (*Sistema Nacional de Evaluaciones*) is a system to evaluate the outcomes of the main public policies and programmes implemented within the framework of the National Development Plan. Every year, the policies that will be evaluated are elected by a committee of the National Planning Department and approved by the National Council on Economic and Social Policies. Policies are evaluated by a recognised, experienced third party (consultancy) so as to guarantee objectivity and transparency in the process. Since the creation of SISDEVAL, the number of evaluations has increased significantly, from 1 in 2003 to 32 in 2011.
3. Polls: nationwide polls are carried out periodically so as to compare public perception and government results. The results of the polls are public and can be found on the SISDEVAL website. Surveys measure perception of the way the government is achieving the goals that it set.

In the beginning, SINERGIA focused on central government management only; in 2004, its scope was broadened to include the monitoring of territorial management and decentralised entities. It now provides information on the overall performance of public policies across all levels of government in Colombia. However, at the territorial level, performance management implementation remains relatively underdeveloped. In 2009, methodological guidelines were approved focusing on performance management at the subnational level; a network of regional officials was created to encourage the exchange of best practices in the field of performance management.

Through SINERGIA, follow-up is readily available. The Presidency, the government and citizens can follow up on the government's performance. It is an essential tool for building trust in government.

This system is generally recognised as already being one of the strongest in Latin America. For more information see: https://sinergia.dnp.gov.co/Paginas/inicio.aspx.

Source: OECD (2013a), *Colombia*: *Implementing Good Governance*, http://dx.doi.org/10.1787/9789264202177-en.

Based on the example of SINERGIA in Colombia, the government of Peru could consider:

- strengthening its evaluation capacities, and the dissemination of its results
- promoting stakeholders' and citizen's involvement in the M&E process through surveys to measure the public's perception of the way the government is achieving national objectives
- increasing the integration and co-ordination of budget performance information with SINAPLAN
- reinforcing its set of performance indicators to better measure policy outputs and outcomes as identified by the PEDN.

Recommendations

1. Use the results of strategic foresight and long-term horizon scanning to inform planning

- The government (the PCM and MEF together) could lead the process of identifying a set of long-term strategic objectives for the country supported by an accurate interpretation of emerging challenges, trends and opportunities along with sound evidence on the achievement of past results, to inform its medium-term strategic objectives and programming in the PEDN.
- Harnessing contributions from all sectors of society, using existing institutions to facilitate the process (for instance, the National Agreement Forum), could perhaps enhance the utility of this exercise. In so doing, CEPLAN and the MEF could develop mechanisms to facilitate the use of performance information in strategic planning. Inform the medium-term PEDN with the results of this exercise. Many OECD countries seek to embed shorter term plans within longer term strategic objectives. Bulgaria, the Czech Republic, Poland, Romania and the Slovak Republic are cases in point. The government of Peru could consider reinforcing its current strategic planning instruments by identifying emerging policy challenges and trends over a longer term planning horizon, upon which long-term strategic outcomes could be identified. This could then be used to inform its medium-term strategic objectives as articulated in the PEDN.

2. Integrate strategic planning and outcomes-based management

- Strengthen capacity in the planning offices of the SINAPLAN, including the regulatory framework, human resources, training and the information system. Strategic public planning could be reinforced to include the decision-making process of the strategic programmes, making it more in-depth and with enhanced feedback.
- Improve co-ordination between the budgeting, planning, monitoring and evaluation systems. Efforts could be deployed to set up an integrated system to strengthen all three areas and managerial capacity, linking the institutional, sectorial, regional and local processes, and the planning timetables (short, medium and long term).
- Use performance information generated by the outcomes-based management system to enhance transparency and accountability: the engagement of both parliament and citizens could be enhanced in both planning and evaluation by establishing a mechanism to provide information and feedback channels (see Chapter 6).
- Evaluation is not only a tool for administrative control, but one for analysis and feedback for management. In spite of the progress made by Peru in the area of M&E and control, challenges remain regarding the impact and effect of the reports. Moreover, there is a weak application of the liability regime relative to public policy outcomes and ineffective accountability processes. Therefore, Peru might continue to face challenges and additional efforts in enhancing the performance audit function in terms of volume, relevance and timeliness. It should be outcome- rather than output-oriented, looking for efficiency and savings. In addition, feedback could be better used in the decision-making process.

3. Strengthen links between the strategic plan and the national budget framework

- Ensure ongoing partnership-based co-operation between the PCM/CEPLAN and the MEF to work jointly on an integrated approach to setting and implementing the government's planning and budget frameworks in a co-ordinated fashion.
- Harmonise medium-term planning horizons so that the CEPLAN's PEDN and the MEF's planning frameworks and time frames converge:
  - The lack of enforcement of the National Development Plan in the long term puts pressure on the strategic policy-making and service delivery capacity due to uncertainty. This could be improved, for instance, by including public hearings, debate and voting in the Congress. Stronger links between the CEPLAN and the MEF could enhance internal coherence and reinforce the PCM's whole-of-government mission and broad vision.
  - Notwithstanding the need for institutional operational flexibility, ministries and regional and local governments should specify, year by year, their programmes to achieve the goals identified by CEPLAN in the PEDN, identifying activities and realistic targets.
  - As in the case of independent evaluation of the PrP, evaluation reports should be integrated in a summary document and presented in parliament and published. This would enhance transparency and accountability *vis-à-vis* the Peruvian population.
  - In order to exercise its functions in this area as efficiently as possible, provide CEPLAN with greater human and financial resources.
- Integrate performance measurement/evaluation more deliberately into both strategic planning and budget decision making, and reinforce inter-institutional co-ordination to reduce gaps between strategic planning and budgeting:
  - The existing gap between planning and budgeting is a major challenge that needs to be addressed. Both CEPLAN and the MEF have to work closely together to establish stronger co-ordination and links between their processes. Two options could be considered:
    - establish a joint CEPLAN-Director General for the National Budget Commission
    - extend the mandate of the Inter-ministerial Commission on Economic and Financial Affairs for fiscal issues.
  - The government needs to address the challenge of linking planning and budgeting by promoting evaluation efforts, using them as strategic input to long-term public policies. This could be done within the commission, but also by embedding the M&E information into the planning and budgeting process in a co-ordinated way.
  - These efforts should be reflected not only at sectoral level but also at subnational level with a more integrated approach.

4. Improve government information systems to include performance information

- Information systems could be strengthened to include performance information. One of the most important obstacles for implementing performance-based management is the lack

or deficiency of statistics or insufficient information systems in some public institutions. Tools currently used such as RESULTA and the Integrated Information System (SII) are a good basis but should be extended and enlarged as a whole-of-government tool.

- The role of the National Institute of Statistics and Informatics (INEI) in that context is also crucial and should be reinforced in line with what is recommended in Chapter 2 on the centre of government to assure reliable performance information. Ongoing co-operation between the INEI, the MEF and CEPLAN could be reinforced to strengthen the reliability of performance indicators and data.

5. Strengthen sector-based co-ordination

- In order to make better use of M&E information, sector co-ordinators require stronger authority to stimulate discussion and take decisions relative to the attainment of PEDN goals for their policy area, based on the reports and results issued by SII and RESULTA. The SII reports are not always used in decision making, political control or budget approval.

6. Strengthen territorial capacity and co-ordination for M&E:

- Subnational governments have financial and human resource limitations to carry out strategic planning M&E. In most cases, they only use M&E instruments to meet formal requirements rather than for decision making or to improve performance in their region. This situation is caused in part by weak capacity in regional administrations. Therefore, despite some efforts made by the MEF and CEPLAN, financial and human resources in regional and municipal institutions should be reinforced in order to strengthen territorial strategic planning and M&E.
- Effective ongoing co-ordination across levels of government is needed to use performance information more effectively for medium-term planning purposes and to improve policies and service delivery over time in a way that addresses the specific needs of each region and improves the effectiveness of regional public expenditures on improving outcomes for people on the ground.
- CEPLAN and the MEF could jointly support building capacity in regional and local entities in this area through sharing expertise and transferring knowledge to subnational administrations. The regional development agencies proposed in Chapter 4 could be the place to consolidate this practice.
- Strengthen internal controls of national expenditures executed in the regions: weakness in the planning of public policies and programming that are implemented regionally limits the efficiency of subnational expenditures. This affects the planning and prioritisation of policies at subnational level.
- Co-ordination between audit or control entities is still a challenge: co-operation is essential to avoid duplication or overlap in audits and assessments. Using international standards, the CGR could consider enhancing its leadership role at the subnational level, especially by verifying checks and balances in service delivery.

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Chapter 4.

Implementing effective decentralisation: Achievements and challenges in multi-level governance in Peru

This chapter examines multi-level governance in Peru. The chapter elaborates upon OECD tendencies in this area; however, empirical evidence and OECD analysis demonstrate that multi-level governance arrangements are country-specific. In Peru decentralisation is still an ongoing and unfinished process, and where important challenges have yet to be faced, which include clarifying mandates, better defining roles and objectives for regional governments, and improving intergovernmental communication. Additionally, this chapter also discusses specific issues related to human resource management and citizen participation at the local level.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Introduction

This chapter examines multi-level governance in Peru. The OECD uses the term "multi-level governance", also referred to as "intergovernmental relationships", to characterise decision-making processes and policy cycle management arrangements adopted by public actors at different administrative levels to govern relations with each other in designing and delivering policy and services. Multi-level governance refers to the explicit or implicit sharing of policy and service design and delivery responsibility at different administrative levels in a country's territorial jurisdictions. Thus, multi-level governance focuses on vertical interactions between orders of government at the local, regional, national and supranational levels, and horizontally between subnational administrative units in a given functional territory (for example a metropolitan region).

Empirical evidence and OECD analysis demonstrate that multi-level governance arrangements are country specific. There is no single optimal level of decentralisation or single recipe for vertical co-ordination, since sharing and applying competencies remain strongly context-dependent and evolve due to many internal and external factors, including the overall economic performance of the given country and the spatial disposition of populations, resources and assets in that country.

This is certainly the case of Peru, where decentralisation is still an ongoing and as yet unfinished process, and where important challenges have yet to be faced. International good practice and experience in OECD countries can provide guidance and can save time, resources and public funds related to designing, implementing and monitoring the performance of strategies, plans and institutional arrangements to complete the decentralisation of state responsibilities in Peru. Good practice from across the OECD can provide Peru with evidence of what works and what does not as it pursues strategies to achieve development and well-being results for the country and its citizens in a way that reduces acute and persistent regional disparities while ensuring that each region can contribute to national development and competitiveness.

Peru launched its decentralisation process in 2002; significant efforts have been made by the central government to implement the Constitution's amendments and new regulations regarding regional and local governments and their interaction with the central administration. In examining the government of Peru's decentralisation agenda, this chapter assesses the main challenges it faces in multi-level governance and provides policy advice based on good practice in OECD countries. This chapter also discusses specific issues related to human-resource management and citizen participation at the local level.

The territorial organisation of Peru

The amended Constitution defines Peru as a unitary and decentralised state with three levels of government: national, regional and local (municipalities):

- The regional level currently consists of the 24 departments (*departamentos*). The Department of Lima includes the regional government of Lima and all provinces in the department except for the Province of Lima, which has special status. The Constitutional Province of Callao (where Lima's port and airport, the most important in the country, are located) also has the status of a department that includes the regional government of Callao and a provincial municipality of Callao.

- The local level has two sub-levels: 196 provincial municipalities (*municipalidades provinciales*) and 1 671 district municipalities (*municipalidades distritales*). The Metropolitan Municipality of Lima has a special regime, which is defined as a local provincial for the city of Lima with additional powers of a regional government for this territory. The process of transferring powers and functions to the Metropolitan Municipality of Lima began in 2011.
- Subnational governments are elected for a period of four years under an electoral system that mechanically hands a governing majority at the local level to the political party that elects the greatest number of representatives in the subnational assembly. In the case of the region, a run-off election between the two candidates with the highest number of votes is held within 30 days of election day if no candidate has obtained 30% of the votes cast. Both regional and local governments enjoy political and administrative autonomy over matters within their jurisdiction.

Box 4.1 presents statistics on levels of subnational government structures in OECD countries. This box shows that Peru is at first glance not a particularly fragmented country at the subnational level. That said, the *OECD Territorial Review of Peru* carried out under the Country Programme with Peru (OECD, 2016a) shows that the main challenges facing the country's national development stem from persistent, acute regional disparities and the over-concentration of economic activity in key territories, especially Lima, coupled with the physical isolation of other, remote regions in the south and east of the country.

Decentralisation in Peru: A work-in-progress

An ambitious political and administrative decentralisation

Decentralisation has long been on the political agenda in Peru. Over the past three decades, the regional framework has undergone three transitions between centralised and decentralised governments. In aiming to promote the country's development, the stated goals of decentralisation in Peru focus on improving citizens' living conditions and reducing inequality, enhancing the quality of public services, and reducing the acute and persistent regional disparities across the territory.[1] This approach to decentralisation, including constitutional reforms, was welcomed by Peru's National Agreement Forum (*Acuerdo Nacional*), the country's national, non-partisan advisory body on initiatives to improve Peru's democracy and its strategic approaches to growth and development (see Chapter 2).

- The 1979 Constitutional Act moved Peru from military dictatorship to democracy. This act launched the decentralisation process by giving Peruvian municipalities resource management responsibilities. In 1980, the first political cycle of local elections was carried out. In 1987, a first attempt at creating regions took place.
- During the 1990s, President Alberto Fujimori drove a process that recentralised the management of the economy along with government structures and mandates. The regional governments elected in 1989 and 1990 were abolished (Contreras, 2004).

Box 4.1. Subnational government structure in OECD countries

The multi-level governance structure of countries varies considerably across the OECD, with 9 federal states and 25 unitary states. Among OECD member countries, only eight have three subnational government tiers: the regional/federated level, the intermediary level and the municipal level. Eighteen countries have the same structure as the Netherlands with two subnational tiers (regions and municipalities) and eight countries have only one subnational tier.

Table 4.1. **Number of subnational governments[1] in the OECD in 2015 with figures on Peru**

2014-15	Municipal level	Intermediary level	Regional or state level	Total number of subnational governments
Federations and quasi-federations				
Australia	565		8	573
Austria	2 102		9	2 111
Belgium	589	10	6	605
Canada	4 014		13	4 027
Germany	11 116	402	16	11 534
Mexico	2 445		32	2 477
Spain	8 117	50	17	8 184
Switzerland	2 324		26	2 350
United States	35 879	3 031	50	38 960
Unitary countries				
Chile	345		15	360
Czech Republic	6 253		14	6 267
Denmark	98		5	103
Estonia	213			213
Finland	317		1	318
France	36 681	101	27	36 809
Greece	325		13	338
Hungary	3 177		19	3 196
Iceland	74			74
Ireland	31			31
Israel	252			252
Italy	8 047	110	20	8 177
Japan	1 718		47	1 765
Korea	227		17	244
Luxembourg	105			105
Netherlands[2]	393		12	405
New Zealand	67		11	78
Norway	428		18	446
Poland	2 478	380	16	2 874
Portugal[3]	308		2	310
Slovak Republic	2 927		8	2 935
Slovenia	212			212
Sweden	290		21	311
Turkey	1 394		81	1 475
United Kingdom	389	27	3	419
OECD34	**133 900**	**4 111**	**527**	**138 538**
Peru	**1 671**	**196**	**25**	**1 892**

Notes: 1. Includes only subnational government with general competencies. 2. Netherlands: 403 municipalities as of 1 January 2014. 3. The regional level in Portugal includes only two overseas regions: Madeira and Azores.

Source: OECD (2015c), "Subnational governments in OECD countries: Key data", www.oecd.org/regional/regional-policy.

- After the collapse of President Fujimori's regime (see Chapter 1), President Paniagua's transitional government called general elections in 2001. Decentralisation was already an important priority on the national political agenda. In particular, the winning presidential candidate, Alejandro Toledo, ran a strong campaign favouring decentralisation, one of the main planks in his platform that distinguished him from Alberto Fujimori. As a result, in 2002, Congress approved significant amendments to the Constitution to frame the move to greater decentralisation: 12 articles of the Constitution were amended with the support of all political parties in the Peruvian parliament. Notably, Law No. 27680 amended Chapter XIV, Title IV of the Peruvian Constitution to state that "Decentralisation is a form of democratic organisation and is a mandatory permanent government policy with the main objective of promoting the development of the country". President Toledo's administration implemented through enabling legislation substantial legal reforms laying down the institutional framework for decentralisation.
- Parallel to the decentralisation reform initiated in 2002, Law No. 28274 establishing incentives for integration and creation of regions was also approved in 2004. Based on this law, in October 2005 a referendum was held for the creation of five regions: the Cusco-Apurimac Region; the South Andean Region (incorporating the departments of Arequipa, Puno and Tacna); the Ica-Ayacucho-Huancavelica Region; the North-Eastern Central Region (integrating the departments of Ancash, Huanuco, Junin, Pasco and Lima); and the Northern Region (proposed by the departments of Lambayeque, Piura and Tumbes). However, the referendum failed and so far, no departments have merged to form bigger regions. The old deconcentrated administrations in the territory have been consolidated at the regional level, setting aside this debate for the moment.

Since the beginning of the decentralisation process, public discussion of decentralisation in Peru was couched in terms of reducing regional disparities and improving the potential of citizens in remote and isolated territories to participate in the national democratic life of the country, notably by improving public service delivery (Casas, 2009). For example, an early and influential assessment of the decentralisation process emphasised how the process of transferring functions had as its "principal goal, to improve the services provided to the citizenry".[2] That said, decentralisation has been pursued gradually and in different stages, requiring *inter alia* new allocations of competencies, transfers of resources, delimitation of territories, elections and accountability measures. As in other countries with a heavy legal tradition, such as France, Italy or Spain, Peru has approved a comprehensive, if complex and lengthy, reform of the regulatory framework on decentralisation.

This heavy legal tradition appears to have led to a consistent, but at times unclear and duplicative, set of laws on decentralisation. This in turn appears to hinder clarity and effectiveness in implementing decentralisation. The distribution of competencies is described in a very general way in the initial legislation; since the first pieces of legislation were passed, clarification has been required through subsequent rule-making:

- The decentralisation law of 2002 established the need for a clear division of responsibilities based on the principle of subsidiarity. It established a distinction between three types of competencies: exclusive, shared and delegated. It also stated that decentralisation was to be pursued gradually, and be fiscally neutral and fully funded. The organic laws of the executive, regional and local governments provided more detail on the organisation and competencies of the local governments.

- But in fact, the original order in which rules were to be approved was not followed. The Organic Law of the Executive Branch, a major law that adapted the organisational structure of the executive branch to the new unitary and decentralised model of the Peruvian state outlined in the Constitution, was only approved in 2007, five years after the beginning of decentralisation. Political pressure from subnational governments and weak leadership in the national government in this area created initial confusion that prevented setting the necessary institutions from the beginning (Propuesta Ciudadana, 2006). The National Council for Decentralization initially took over the transfer of competences to the regional and local levels. It was only in 2007 when the Decentralisation Secretariat was created within the Presidency of the Council of Minister (PCM) that the central government took the lead through the "*shock decentralizador*" (see below).
- Deficiencies in the decentralisation process persist. Despite efforts, the central government is still refining the delimitation of competencies between the different levels of administration:
  - Decentralisation legislation provided for the establishment of an "accreditation system" to assess whether regional and local governments meet minimum capacity standards to qualify for the transfer of functions and corresponding resources; yet this system has proved to be more of a formality than an efficient mechanism to identify real capacity gaps in the regions and municipalities.[3]
  - Ministries did not develop a comprehensive plan for ongoing capacity building in the regions to deliver the services that were once delivered from the central administration. At the time, capacity building was understood only as a training plan that was never made permanent. As a result, the workload, tasks and responsibilities of subnational governments suddenly increased tremendously without sufficient resources or adequate capacity for timely, effective and efficient service delivery.[4]

A set of competencies to be clarified at the subnational level

Peru's commitment through the constitutional amendments to a decentralised model in the context of a unitary state was an important step forward in the democratisation process. However, the implementation of the decentralisation process in its administrative dimension, namely the effective transfer of competencies to the regional and local levels, has faced difficulties in practice. The process of transferring functions from the national government to the regional governments thus merits particular attention as it was initiated by the National Council for Decentralisation (Consejo Nacional para la Descentralización, NCD), in charge of day-to-day direction and policy implementation until 2007 when the Decentralisation Secretariat was created in the PCM (see Chapter 2).

The NCD was created by law as an independent and decentralised agency attached to the Presidency of the Council of Ministers. Chaired by a representative of the President of the Republic, it also gathered representation from regional and local governments.

Grounded in the 2004 Law on Accreditation and Competency Transfer, the transfer of responsibilities aimed to move decision-making capacity to decentralised governmental bodies in the regions. As mentioned above, the core objective was the transfer of social programmes to local governments, high-profile projects to regional governments, and devolution of functions and competencies to both levels of governments (Prodes, 2009a).

The first functions transferred to regional governments were social and infrastructure programmes, followed by other sector-based functions, such as trade, agriculture, mines and tourism, and finally the transfer of education and healthcare.

In 2006, new regulations were issued to accelerate the reform under the so-called "*Shock descentralizador*". By 2015, according to the latest data[5] provided by the Peruvian government, 92.8% of the identified functions had been transferred, which represents 4 466 functions out of a total of 4 810 (PCM, 2012). The Decentralisation Secretariat in the PCM is only now beginning to conduct the first assessment of the outcomes of the decentralisation process, the "Monitoring and Evaluation Plan of the Sectorial Competences transferred to Regional and Local Governments, with a Focus on Decentralised Management of Public Utilities".[6] This assessment focusses on single-sector competencies and functions transferred to regional and local governments to provide better service delivery to citizens.

The evaluation is being carried out in basic sectors, such as education (pre-school to high school), primary healthcare, land registries for peasant farmers (*campesinos*) and native communities, the sustainable use of forest resources, and the promotion of local artisanal fisheries, among others. But the Decentralistion Secretariat has already acknowledged the lack of indicators and protocols needed to establish the level of each administration's responsibility for co-ordinating the specific services they are to deliver (PCM, 2014).

That said, efforts are being made to clarify competences and enhance co-ordination though a matrix methodology elaborated by the PCM's Public Management Secretariat (Secretaría de Gestión Pública, SGP; see Chapter 2) together with the Decentralisation Secretariat on the distribution of competencies in the areas of employment, transport and women. Under this initiative, intergovernmental commissions (see below) will play a key role in reaching a consensus with subnational governments on implementing decentralisation in these areas.

Fiscal arrangements also need clarification

Together with political and administrative autonomy, decentralisation has to include a fiscal dimension. In fact, financial responsibility is a core component of decentralisation. If subnational governments are to carry out decentralised functions effectively, they need an adequate level of revenues – raised locally and transferred from the central government – as well as the authority to take decisions about expenditures. Fiscal decentralisation can take many forms, but it particularly addresses three interrelated issues:

1. The first is the division of spending responsibilities and revenue sources between levels of government (national, regional and local): resources should match the competencies assigned to regional and local governments so that they have the capacity to carry them out.
2. The second is the amount of discretion given to regional and local governments to determine their expenditures and revenues (both in aggregate and detail), so that they can take decisions that effectively reflect policy priorities and citizens' needs on the ground (OECD, 2013).
3. Perhaps most importantly, the third speaks to the overarching constitutional objective of broadening and deepening democracy through decentralisation: local fiscal autonomy in setting certain taxation rates and in taking spending decisions involving locally generated revenues significantly enhances regional and local

governments' accountability to citizens. Regional and local governments can become more accountable to their citizens if they need to justify taxation rates and spending decisions to their residents: this inevitably leads to more transparency, which in turn can lead to greater sustainability in retaining citizens' trust in the local and regional institutions of the state. This degree of local/regional democratic accountability is less prominent in a fiscal regime where local and regional government revenues flow entirely or principally from transfers from the national authorities.

Fiscal federalism, the sharing of fiscal capacity between levels of government, ought therefore to be an essential component of the decentralisation process: Peru should thus seek to enhance the financial autonomy of decentralised governments as it seeks to improve their capacity to fulfil their responsibilities under the country's decentralisation agenda. However, Peru's fiscal decentralisation is currently limited to spending through intergovernmental funding transfers. According to the Law on Fiscal Decentralisation, the transfer of resources to regional governments is to be implemented gradually, in two stages: the first, related to resource transfers from the national level, and the second, the allocation of a certain percentage of national taxes and resources to subnational governments conditional on the creation of regions according to Article 190 of the Constitution.

Furthermore, the process of fiscal decentralisation is currently stalled; as a result, subnational governments have yet to develop their own tax systems. Currently, responsibilities transferred to subnational governments are mostly financed by national government transfers. To finance their responsibilities, regional and local governments have revenues from the following sources: natural resource revenue (the *canon* funds), which must be spent on capital investment; transfers from the national government; compensatory funds for regional governments (FONCOR) and municipal governments (FONCOMUN); and, to a far lesser extent, their own tax revenue-raising capacity for the municipal level.

On the spending side, subnational governments have assumed important responsibilities, especially in public investments and in the delivery of such essential public services as health and education. As mentioned above, these are the main competences assigned to subnational governments.

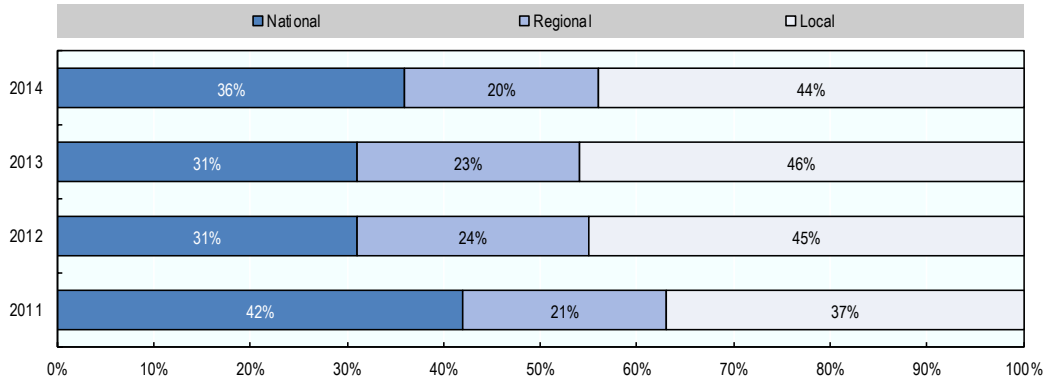
- The main trend to date is that subnational governments are receiving an increasing proportion of the total amounts to be transferred from the national government. Between 2003 and 2006 their share rose from 29% to 35% (Prodes, 2009a). Between 2005 and 2012, the budget managed by regional governments increased by 143%. Local governments handled 183% more financial resources in 2012 than in 2007 (Ministry of Economy and Finance, 2016).
- In these 13 years, the decentralisation of expenditures has deepened not only because a greater number of responsibilities have been assigned to subnational governments, but mainly as a result of increased transfers from *canon* and *regalías* (royalties from natural resource extraction). This is a significantly uneven distribution as mainly subnational governments whose regions have natural resources that are being extracted can benefit from the royalty revenue source. The decentralisation of revenue sources remains, however, quite insignificant:
    - In 2002, the share of own revenues over total expenditures for subnational governments was 11%.

  - In 2008, this share rose to only 12.3%, with the local governments collecting most of these revenues.
  - Such a low share of own revenues implies a great reliance on intergovernmental transfers. This dimension is further developed in the *OECD Territorial Review of Peru* (OECD, 2016a).

- A significant concern is how to distribute resources from mining royalties (*canon* and to a minor extent *regalías*):
  - Mining royalties increased almost 305% in the period 2000-05 (Prodes, 2009b). Mining royalties are distributed according to a constitutional mandate. These resources are meant to stay in the regions where the minerals are exploited.
  - Under Law 27506 and Decree 005-2002-EF, the MEF establishes the distribution indexes of mining royalties. The distribution criteria inside the regions where the minerals are exploited are based on population density and the Unsatisfied Basic Needs Index.
  - As the National Territorial Review develops in more detail, major challenges for fiscal decentralisation include the limited fiscal autonomy, the need for a property tax as well as challenges on the current system of intergovernmental transfers.
  - The inequity in the distribution of *canon* and mining royalties: under the existing formula, in 2005, regions such as Moquegua received a per capita transfer of USD 127, while Lambayeque received USD 4, regardless of the specific needs in each region. Strengthening equalisation transfers is extremely necessary to cope with this problem.
  - This inequity in distribution, whose formula appears not to take into account need, is exacerbated by the fact that some regional and local governments simply lack the capacity to absorb the large amount of resources available while others lack fiscal resources for very basic investments (Prodes, 2009a).
  - In addition to the inequity in distribution, another important challenge is that subnational governments are exposed to high volatility due to the *canon* fluctuations. The 51% decrease between 2012 and 2016 has generated substantial problems for subnational finances that has resulted in the suspension or postponement of investment projects. It also generates low predictability for subnational governments' budgets.

In 2014, the national government carried out investments amounting to PEN 11.7 billion. The decentralised government executed more than PEN 21 billion, representing 64% of total investments. In particular, local governments executed investments of PEN 14.3 billion, while regional governments implemented PEN 6.5 billion worth of public investments.

Figure 4.1. **Public investment by level of government in Peru**



Source: Ministry of Economy and Finance.

Fiscal transfers to subnational governments have been increased through two key components: the Municipal Compensation Fund (Fondo de Compensación Municipal, FONCOMUN) and commodities revenues.

- FONCOMUN and FONCOR (compensatory funds for regional governments) transfer resources based on compensatory mechanisms defined by socio-economic and demographic criteria. The main revenues obtained from commodity exploitation are *canon* and royalties.[7]
- In line with some OECD countries, royalties are based on companies' profits and *canon* make up 50% of the corporate tax from mining companies (the other half is retained by the central government). Ordinary transfers from the central government to subnational governments have also increased in the last years (Table 4.2).
- From a public governance perspective, there appear to be two main issues with the current *canon* and royalty transfer regime:
  - First, the formula itself appears not to be designed to address specific needs on the ground in each region, whether for basic infrastructure, service quality and standards, the individual needs of residents, or business needs to create jobs and contribute to the region's development and that of the country.
  - Second, current transfers from royalty revenues appear to be made outside of any kind of intergovernmental agreement or contractual arrangement that defines the policy objectives to be pursued with the transferred resources and outcomes to be achieved with these public investments:
    - Subnational governments can only use the resources from mining royalties on public investment projects related to infrastructure; they do not appear to be linked to the local or regional development plans that subnational authorities are required to design and implement under the National Strategic Development Plan (PEDN, see Chapter 3).
    - In addition, rules governing these transfers do not mention whether they can be combined with other sector-specific transfer streams to improve public service quality or enhance the impact of infrastructure investments, or simply build capacity in the regional or local administration to manage public investments more effectively and efficiently.

– The *canon* should be used to finance public investment projects, up to 20% for maintenance activities (in 2015 it was exceptionally increased to 40%) and up to 5% for studies and investment profiles.

Table 4.2. **Intergovernmental fiscal transfers in Peru in PEN**

Year	Regional governments	Local governments	Total subnational
2006	9 885	5 845	15 730
2007	12 467	9 679	22 146
2008	13 035	10 695	23 729
2009	13 823	11 179	25 002
2010	15 243	12 340	27 582
2011	17 017	15 377	32 394
2012	19 040	17 219	36 260
2013	21 280	17 512	38 792
2014	23 395	17 893	41 288

Note: Includes all transfers from the national level.

Source: Ministry of Economy and Finance.

This approach does not reflect OECD governance standards. Transferring significant resources to regional and local authorities that have little, if any, capacity to manage the scale and scope of such investments, or to monitor the impact of such investments on the achievement of expected results for people and businesses, can be a recipe for corruption and unaccountable decision making. The following sections present several examples of good practice in effective multi-level governance arrangements that can be adapted by Peru to address these issues.

OECD experience suggests that fiscal equalisation to subnational governments can cushion the fiscal imbalances generated by the disparities in strengths, assets and resources across territories. Designing equalisation transfers requires not only taking into account the fiscal needs of subnational governments, but their capacity to manage these transfers as well.

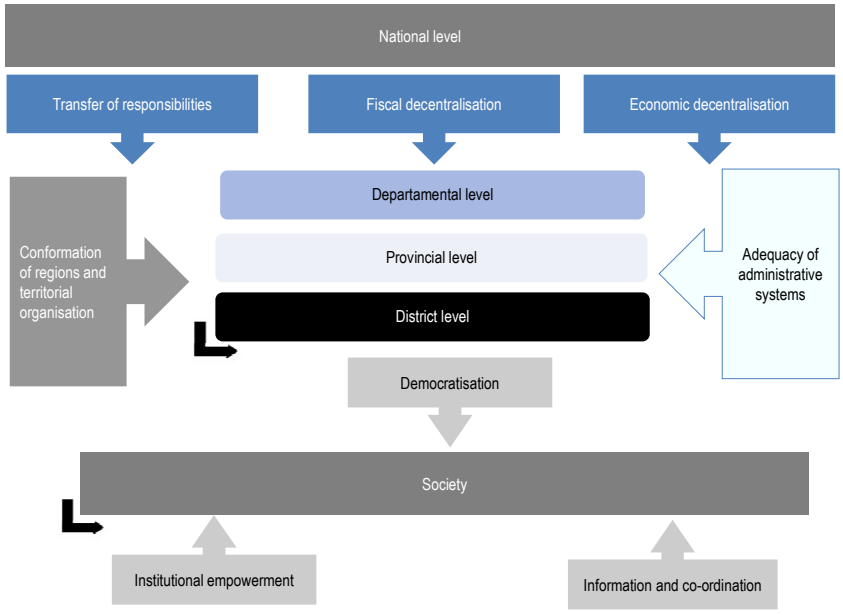
Institutional arrangements supporting decentralisation in Peru

The Decentralisation Secretariat in the Presidency of the Council of Ministers

The creation of the Decentralisation Secretariat responded to the political will of the executive branch to strengthen the Presidency of the Council of Ministers (PCM) as an organ of consultation and generate consensus on the direction among intergovernmental and civil society actors involved in the decentralisation process. It also sought to launch bilateral relations between the executive and subnational governments (USAID, 2011).

Within the PCM, the Decentralisation Secretariat operates within a silo, distinct from CEPLAN and the Public Management Secretariat, responsible for the PEDN and the strategy on the modernisation of public management reform respectively, both of which involve the decentralisation of the state. Regional and local governments are also part of this exercise, yet evidence suggests that there is no link between the SGP and the Decentralisation Secretariat on the roll-out of the reform strategy and the decentralisation agenda.

Figure 4.2. **Decentralisation in Peru**



Source: Prodes.

Peru's horizontal co-ordination mechanisms at the central level

The following institutional arrangements define Peru's horizontal co-ordination arrangements:

- Cabinet: the Council of Ministers is appointed by the President of the Republic according to the Peruvian Political Constitution and is chaired by the Prime Minister. Its main functions are to co-ordinate and evaluate overall government policy, as well as national and sectorial and cross-sectorial policies (Articles 15 and 16 of the Organic Law of the Executive Branch [LOPE]).
- Inter-ministerial commissions are forums for co-ordination and policy discussion within Cabinet on specific strategic policy themes. They are made up of ministers and are supported by a Technical Bureau. Two ministerial commissions were created by the LOPE; they are responsible for overseeing Financial and Social and Economic Affairs, respectively.
- Undersecretaries Co-ordination Commission: for the co-ordination of sectorial issues, Article 26 of the LOPE sets out that the 35 vice-ministers and the Secretary General of the PCM come together in this body to discuss technical and strategic issues on agenda items proposed for discussion by the Cabinet Office as well as on multi-sectoral and strategic initiatives and projects.
- Multi-sector commissions can also be created to follow up on policy proposals or report issuing functions, which should form the basis for decisions of other entities. These commissions can be of a temporary or a permanent nature. On the same basis, working groups are often created for setting courses of action that will contribute to the proper implementation of multi-sector public policies.

- Decentralised Cabinet meetings have been used in recent years to interact with subnational bodies, both for co-ordination between levels of government (vertical) and for co-ordination between sectors (horizontal), to allow interaction between the President of the Republic and ministers and regional and local representatives (who do not have voting rights in the meetings). These meetings, which are not institutionalised formally and are not independent from the Council of Ministers, allow players to establish an agenda of resolutions for the development of the region in which they occur. The current government has organised at least 19 decentralised Cabinet meetings in the different regions.

Vertical co-ordination: Intergovernmental Co-ordination Council and intergovernmental commissions

The Intergovernmental Co-ordination Council

The Intergovernmental Co-ordination Council (Consejo de Coordinación Intergubernamental, ICC) is the highest co-ordinating forum between the three administrative levels, in particular regarding the development of planning at the national, regional and local levels. As stated above, although decentralisation was launched in 2002, the ICC was only created in 2007 through the LOPE). Its Rules of Procedures were adopted in 2009 after pressure from regional and local governments as well as from the Ombudsman (Defensoría del Pueblo); its launch remains complicated and controversial.

The ICC is a co-ordinating body attached to the PCM and aims to co-ordinate and promote recommendations on policies, strategies and actions for the development of the decentralisation process. It is a large committee of 72 members convening representatives of the 3 levels of government: 25 regional presidents, Mayors of Metropolitan Lima and Callao's Constitutional Province, 19 ministries, the President of CEPLAN and the Decentralisation Secretariat. Regarding the 24 representatives of local governments (12 provincial and 12 district), it was decided they would be elected through lists of candidates, with no criteria to ensure a fair representation of each department, or to ensure a balanced representation of urban and rural mayors (USAID, 2011).

This complex system chosen by the Decentralisation Secretariat to designate local governments' representatives has yet to reach a full consensus. The Association of Municipalities of Peru (AMPE) and REMURPE (the Peruvian associations of municipal governments, urban and rural, see below) are particularly critical of the current situation. The Rules of Procedure adopted by the Decentralisation Secretariat did not include a previously agreed issue: that decisions taken in the forum would be binding. The ICC was launched on 27 May 2011 but remains inactive due to this situation.

Intergovernmental commissions

In Peru, intergovernmental commissions have been established to contribute to strengthening the leading role of line ministries in sharing competencies with subnational governments in managing decentralisation (Supreme Decree No. 047-2009-PCM). They have assumed a major responsibility in the development of the alignment of the decentralised management sector and are a strategic space to validate the remaining matrices of competencies and functions.

At the end of 2015, 14 intergovernmental sector-based commissions had been constituted on key topics such as: Work and Employment Promotion, Energy and Mines,

Housing, Construction and Sanitation, Production, Trade and Tourism, Communications, Woman and Vulnerable Population, Health, Agriculture, Education, and Environment.

These commissions are headed by the corresponding line ministry and local and regional governments are full members along with other central state bodies that may be concerned by the topic. Progress remains rather uneven and only one-third of these commissions are considered by the Decentralisation Secretariat to be active: Health, Labour and Education.

As an example, the Intergovernmental Commission of Health (*Comisión Intergubernamental de Salud*, CIGS) was created in 2009 and is headed by the Minister of Health.

- It consists of 15 representatives of the Ministry of Health, 25 representatives of the regional governments, 1 from the Metropolitan Municipality of Lima, 1 from the National Assembly of Regional Governments (*Asamblea Nacional de Gobiernos Regionales*, ANGR) and one from each of the two main associations of municipalities (the AMPE and the REMURPE).
- The General Assembly of the Intergovernmental Commission of Health relies on an Executive Secretariat to support it in fulfilling its functions, provide it with administrative and technical support, follow-up on decisions, and prepare its implementation.
- This organisation has allowed, among other things, the approval of the 2010-2014 Concerted Decentralised Sector Plan for Capacity Building in Health (PLANSALUD), the road map for the draft Law on Healthcare Career as well as a first delimitation of competencies between the national and regional levels (*matrices de competencias y funciones sectoriales de salud*).

As discussed in Chapters 2 and 3, the central government has the competency to establish general strategic directions for the country's development. But as far as the central government's competencies on co-ordination are concerned, there is no instrument to guarantee that regional or local development plans are in line with national development plans.

- Indeed, many regions do not have an approved regional development plan. Amongst those regions, Arequipa, the second most important region in the country, has not had a plan for the past three years, for example.
- As mentioned in the previous section, on the one hand, subnational spending also does not have any formal linkages with the approved development plans. The only sectors where the MEF exercises a tight control, especially through the Budgeting for Results system – and ties transfers and spending to an approved plan – are in health, education and social transfers, whose budgets are partially earmarked.
- On the other hand, some efforts have been made at the central level by CEPLAN to help regional governments formulate their development plans and align them with national public policies and the PEDN. The Budgeting for Results system can only contribute to the alignment of regional policies with national ones but does not enable actual policy design.

Intergovernmental co-ordination at the subnational level

This section presents the tools used to promote vertical and horizontal co-ordination at the regional and local levels in Peru. The regulation on decentralisation stipulates that

the relationship between the central government and the subnational levels is to be one of co-operation and co-ordination that respects subnational autonomy in the exercise of subnational competencies. Under this regulation, regional governments cannot intervene in the sphere of competencies of local governments. Nonetheless, the law on decentralisation encourages subnational levels to sign co-operation agreements or contracts in their mutual interest.

Regional and local co-ordination councils

The main subnational co-ordinating bodies are the regional and local co-ordination councils, consultative bodies made up of the President of the region and provincial mayors of the region (60% of the council), and representatives of civil society (40% of the council). In the case of the regional co-ordination councils, there is the additional requirement that at least 30% of civil society representatives come from business organisations. Local and regional governments are encouraged to ensure proper gender representation, the inclusion of indigenous groups where relevant and/or the inclusion of other marginalised groups.

The strong presence of the state in these co-ordination councils is one of the compromises adopted in response to fears expressed by stakeholders concerned with protecting representative democracy. The results, however, are still difficult to determine, since competencies of the co-ordination councils *vis-à-vis* the regional or municipal councils are not clearly defined and no mechanisms have been established to ensure complementarity and avoid overlap and duplication.

The task of monitoring the implementation of regional and local co-ordination councils' agreements is assigned to an oversight committee (*Comite de vigilancia*). According to the internal rules of procedure, the committees' tasks are more preventive than punitive, as there are no sanctions for non-compliance with any of the provisions of the law. In fact, the do not have any financial resources nor sufficient information and technical assistance to exercise their role as defined in law. Councils are considered more of an early-warning system in that they tend to complain to the media or authorities to elicit reaction.

Regional co-ordination councils have been set up in the 24 regions, but only 8 are operating with the participation of civil society (Infogob, 2008). The case of local co-ordination councils is even worse; in 2009 only 73 provincial municipalities had created councils. Even when they have been created, meetings are irregular. One of the reasons for this that was evoked during interviews in the regions is the overlap of instruments. These bodies must agree on annual plans and participatory budgeting and regional development and local plans, which are also debated by regional and local councils.

The regional and local co-ordination councils are only advisory bodies that ordinarily meet twice a year. On a few occasions these instances have become spaces of negotiation of collective projects between local and regional authorities and civil society (Grompone, 2007).

In light of this situation, the Decentralisation Secretariat is preparing a Plan for Monitoring Regional and Local Co-ordination Councils, based on the evidence concerning the functioning of these bodies and citizen participation.

Evidence thus suggests that alignment between local and regional planning is still weak. CEPLAN has recently started to give technical capacity-building assistance to regional governments in planning alignment but more work needs to be done. Local

elected officials interviewed in Cusco and Arequipa also consider regional governments to be too focused on their own needs and that insufficient attention is being paid by regional governments to local needs, demands and interests. There are precious few examples of fluent, dynamic and institutionalised co-operation between regional and local authorities in the same territory and it is often the same between provincial authorities and municipal ones. An illustration of the challenges and need for robust multi-level governance can be demonstrated with an emblematic example, the Panamericana road (Box 4.2).

Box 4.2. **The Panamericana road**

The idea to unite the Americas from north to south via a grand road can be traced back to as early as 1880. In that year, the US Congress passed a bill to extend the commercial ties to the Republics of South America. In the early 1930s, after various inter-American conferences, engineers from most Central American countries met in order to discuss the co-operation. At the Inter-American Conference for the Consolidation of Peace in Buenos Aires in 1936, ten countries, including Peru and the United States, signed a convention in which all countries committed to collaborate in the construction of the road. They also agreed that all vehicles shall be granted permission of transit. One of the greatest infrastructure projects in the Americas was born.

Yet co-operation among the different levels of government was far from being achieved. In addition to the supranational treaties, Peru's Principle Highway, better known as *Carretera Panamericana*, also provides for a sound example of not only the divide between the east and the west of the country in terms of population density, it also yields important insights into multi-level governance structures. The *Panamericana* stretches along Peru's coastline in the west and crosses ten of Peru's *departamentos*. The part north of Lima is commonly referred to as *Panamericana Norte*, whereas the *Panamericana Sur* connects the capital with the southern neighbouring country of Chile.

Peru's Constitution of 2002 aims at decentralising the state and transferring more and more competencies and resources from the national to the regional and local governments (Article 188). Moreover, it leaves room for manoeuvre and collaboration between the regional and local governments in the realm of infrastructure and transportation management. Peru's regions are obliged to "promote regional development and economy; encourage investments, activities, and public services within their jurisdiction, in harmony with national and local development plans and policies", according to Article 192 of the Constitution. Like in the provision for the regional governments, the local counterparts share these obligations (Article 195). Maintaining and governing the *Carretera Panamericana* thus falls under jurisdiction of both the regional and the local levels of government. More specifically, the aforementioned articles lay down to "encourage competitiveness, investments, and financing for the development of infrastructure projects and works at the regional level" (Article 193.8). Since the *Carretera* has not only a regional, yet also a tremendous local impact, the local governments are obliged to "Develop and regulate activities in the area of education […] public transportation, circulation and traffic […]" (Article 195.8).

Given the important expenditures needed to maintain Peru's most important highway, the country also relies on private investments, which the Constitution also enabled in Article 58. In 2013, 36% (USD 216 million) of the municipality of Lima's spending was invested in road works. Hence, the municipality agreed to grant concessions of up to 30 years to a private company, which invested in USD 590 million in maintenance and expansion of the famous highway. The *Carretera Panamericana* illustrates that co-operation among the different levels of government – supranational, national, regional and local – as well as private companies, remains inevitable even today to ensure the free passage of vehicles, as inherited by the idea from as early as 1880.

Source: OECD's work based on data from INEI and Ministry of Transports and Communications of Peru.

Interregional co-ordination boards

Interregional co-ordination boards (*Junta de Coordinación Interregional*), created as a result of the Incentives Law for Integration and Creation of Regions, are forums for the co-ordination of projects, plans and joint actions between two or more regional governments to consolidate economic corridors and develop macro region spaces. The Decentralisation Secretariat still has a key role promoting and supporting technical secretariats. Four boards have been created that gather together 21 regional governments: INTERNOR (Ancash, Cajamarca, La Libertad, Lambayeque, Piura and Tumbes), CIAM (Amazonas, Loreto, Madre de Dios, San Martín and Ucayali), CENSUR (Ayacucho, Huánuco, Huancavelica, Ica, Junín and Pasco), MACROSUR (Arequipa, Cusco, Moquegua and Tacna) and Litoral central (Lima and Callao).

Despite this mechanism, the co-ordination and implementation of interregional co-ordination boards is still weak: regional governments still tend to focus on projects strictly limited to their own territory. Arequipa's regional government acknowledged that its board was not even operational. This limits the impact of public investment on results and the capacity to promote interregional development.

Associations of subnational governments

The Associations of Decentralised Governments include the ANGR, the AMPE, the REMURPE, and the Peruvian Association of Municipal Networks (MUNIRED). These associations reflect the shared common interests of regional and local governments. They also constitute potential national forums for sharing good practices.

These associations are members of the main co-ordinating bodies described above, such as the Intergovernmental Co-ordination Council and the sector commissions. Both associations of local governments offer important support to their membership, especially to small municipalities. That said, Peru does not have any specific horizontal institutional co-ordination mechanism at the subnational level. There is little experience in the development of common investment projects or the provision of services involving two or more regions.

Peru has different initiatives and mechanisms for vertical co-ordination, mainly through concrete instruments such as incentives to promote the articulation of policies. This is the case for sectoral policies such as education (management commitments) and social inclusion as well as for the comprehensive mechanisms established by the MEF for the implementation and good performance of budget programmes.

In some OECD countries, central state co-ordination with local governments is organised without the intermediation or participation of regional governments. Box 4.3 describes some examples.

***Inter-municipal and interregional co-operation: The case of the* mancomunidades**

The optimal size of a municipality most often assessed in the literature tends to be defined on the basis of the overall cost of public services per capita. This can be, however, a crude measure of efficiency as numerous reasons may explain differences in spending across municipalities of a similar size, including the age and socio-economic structure of the population, density, remoteness, morbidity, financial resources, the quality of public services and the efficiency with which they are delivered (OECD, 2014a).

Box 4.3. **Integrating lower levels of government in consultation procedures: The cases of Spain, Sweden and Switzerland**

In **Spain**, the National Commission for Local Administrations (CNAL) is the standing body for collaboration between the central and local governments. It is composed of an equal number of representatives of central and local governments and is chaired by the Ministry of Finances and Public Administration. In the case of local governments, these representatives are designated by the "National Association of Local Governments" mostly present throughout the national territory, and are locally elected. The CNAL issues a report in the case of state draft laws and regulations regarding local governments and their administration. The other body of co-operation between central, regional and local governments is the Sectoral Conference for Local Affairs.

In **Sweden**, the process that precedes the development and passage of a new law includes setting up committees of inquiry. The terms of reference of such committees are stipulated by the government and its members, the latter being special advisers and experts appointed by the lead minister concerned. Experts are often recruited from local and regional authorities and from the Swedish Association of Local Authorities and Regions. Committees normally hold public meetings, and their results are extensively circulated for comment. Although there are only limited formal consultation mechanisms, groups and citizens present their views through the normal work of local municipal councils and committees in the course of their normal public business. Informal consultation mechanisms also involve contacts with local enterprises and business organisations, municipalities, the Swedish Association of Local Authorities and Regions, or other state agencies.

In **Switzerland**, extensive consultation procedures are used at cantonal level, and to integrate cantonal views at the federal level according to Article 45 of the federal Constitution. Since cantons are in charge of the implementation of federal laws, the Confederation informs them in advance and in detail about future projects, and is obliged to involve them in the consultation procedure. The participation of the Association of Cantons in the consultation is an important, but not the only, way of participating. Cantons can also raise their voice through representatives in mixed working groups or institutionalised meetings. The commissions of the Council of States consult with cantons on the applicability of laws.

Sources: National Commission for Local Administrations, Ministry of Finance and Public Administration, Spain; OECD (2007a), *Government Capacity to Assure High Quality Regulation in Switzerland*, www.oecd.org/regreform/regulatory-policy/38286959.pdf; OECD (2007b), *Multi-level Regulatory Capacity in Sweden*, www.oecd.org/gov/regulatory-policy/38287547.pdf.

One way to lower administrative costs and build economies of scale in the design and delivery of public services can be to amalgamate or merge municipalities. Municipal mergers often aim at increasing economies of scale to design and deliver services more efficiently and effectively (Box 4.4). However, efficiency improvements are more difficult to measure than costs, explaining at least in part the focus of studies on the latter. In smaller cities, citizens' expectations regarding public services may be lower than in bigger cities, leading to lower spending. Insofar as public services are funded through local taxes or user fees, the willingness of residents to pay for services also influences spending. Hence, estimates of optimal size need to be taken with caution. Perhaps more importantly, optimal size varies with the functions undertaken by local governments (de Vries and Sobis, 2013).

A second way to achieve better economies of scale to design and deliver higher quality services at lower cost per capita is reinforcing inter-municipal co-operation (Box 4.5). When municipalities are endowed with a large number of competences, when

they are free to organise the delivery of services to citizens and to fulfil administrative responsibilities, there are many occasions when co-operation with other municipalities can bring significant advantages. In the case of a fragmented country at the local level like France, inter-municipal co-operation has been seen as the only way for small municipalities to deliver many services effectively. At the same time, in recent years there has been an increase in the number of municipalities created in Peru (36 in 2015).[8]

Box 4.4. **Municipal mergers in OECD countries**

Municipal mergers have taken place in many OECD countries, driven by various objectives, including improving co-ordination within a metropolitan area, enhancing strategic planning, promoting development, and achieving economies of scale and efficiency gains in public administration and the provision of public services. Early cases include the United States (notably Philadelphia and New York), Japan and Portugal, dating to the second half of the 19th century. Large-scale consolidation, generally compulsory and often reducing the number of municipalities by more than half, took place from the 1950s to the 1970s in Austria, Belgium, Canada, Denmark, Germany, Japan, the Netherlands, Norway, Sweden and the United Kingdom. Amalgamation was also achieved in New Zealand's 1989 local government reform and in Australia since the early 1990s, on a compulsory or voluntary basis depending on states.

Few municipal mergers have occurred over the past 50 years in the United States, where co-operation through special purpose entities has been privileged and consolidation mainly concerned school districts (Fox and Gurley, 2006).

Municipal mergers within the Toronto and Montreal metropolitan areas were imposed by the provincial governments of Ontario in 1998 and Quebec in 2002 despite strong local opposition, but seem to have achieved neither significant cost savings nor improvements in regional co-ordination (Slack and Bird, 2012; Smith, 2007). In Montreal, following local referendums, 15 of the 27 merged municipalities regained independence in 2006. The co-operation approach followed by British Columbia seems to have been more successful than amalgamation strategies followed by other provinces at creating flexible and efficient public management structures (McLean et al., 2006).

Eastern European countries have followed diverging paths after returning to democracy. The Czech Republic, Estonia, Hungary and Poland have favoured the co-operation approach, while Latvia and Lithuania have embarked on large-scale consolidation, with mixed results.

Luxembourg launched a project in 2008 to reduce the number of municipalities from 116 to 71 by 2017 and there was a cut to 106 in January 2012. In Greece, the "Kallikratis reform" reduced the number of municipalities from 1 033 to 325 in 2010. The "Capodistrias plan" had already reduced the number of Greek municipalities from 5 825 to 1 033 in 1997. Reforms are underway in other countries, including Ireland and the Netherlands.

Successive waves of mergers have reduced drastically the number of municipalities in Nordic countries. The number of municipalities in Sweden was brought down from about 2 500 to around 1 000 in 1952 and to 278 in 1974. A few subsequent splits raised their number to 290. The number of Norwegian municipalities was cut from about 750 to around 450 in the early 1960s and 428 in 2013. Denmark went from more than 1 000 municipalities in the 1960s to about 275 in 1970 and 98 in 2007. The number of municipalities in Iceland, where mergers are mainly voluntary, shrank from 229 in 1950 to 170 in 1995, 124 in 2000 and 74 in 2013. In Finland, although there has been no large amalgamation plan, voluntary mergers reduced the number of municipalities from 560 in 1945 to 460 in 1990 and 320 today (Borge and Rattsø, 2012).

Source: OECD (2014c), *OECD Economic Surveys: Finland 2014*, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-fin-2014-en.

Box 4.5. **Intermunicipal co-operation: France and the *intercomunalité***

Municipal co-operation: The case of France and EPCIs

France is characterised by voluntary co-operation at the local level. It has more than 36 000 communes (the basic unit of local governance). Although France has resisted municipal mergers, the need for local co-operation is clear. As such, the communes are united by approximately 19 000 inter-communal structures (which includes 2 525 public establishments for inter-communal co-operation [*établissements publics de coopération intercommunale*, EPCI] and other forms of syndicates) aimed specifically at facilitating horizontal co-operation.

The current system of inter-communal structures was first established in 1992 and reformed in 1999 such that there are now three main types of supra-communal structures: communities of communes (groupings of small rural communes), "agglomeration" communities (groups of 50 000 inhabitants subject to a single business tax) and the urban communities (groupings of 500 000 inhabitants or more). "Single purpose inter-communal associations" ("syndicates") first established in 1890, and multi-purpose syndicates, which date back to 1959, are also still in existence. Each grouping of communes constitutes an EPCI). The EPCIs assume limited, specialised and exclusive powers transferred to them by member communes. Unlike the communes themselves, the EPCI is not governed by elected officials but by delegates of municipal councils. This essentially shifts power away from elected officials to civil servants in the areas of competence ceded by the municipalities. Although the EPCIs are created by the communes directly, there are two notable roles for the central government. First, EPCIs must be approved by the state in order to exist legally. Second, to encourage municipalities to form an EPCI, the central government provides a basic grant plus an "inter-communality grant" to those communes that accept a single business tax, which is established to preclude competition on tax rates among participating municipalities in order to attract business. EPCIs draw on two sources of financial resources: budgetary contributions from member communes (for the syndicates) and/or their own tax revenues (for the EPCIs).

There are some indications that inter-communal co-operation has produced efficiency gains. On the one hand, some outdated governance structures disappeared after the 1999 reforms and communes tend to collaborate in areas such as public works, which are likely to exhibit economies of scale. On the other hand, growth in inter-communal spending has not been accompanied by a decline in communal spending, transfers of personnel from communes to communities are associated with a rise in payroll costs and local tax increases, and the presence of communal and inter-communal governance structures results in overlaps and extra costs. Overall, however, measuring the efficiency and effectiveness of municipal co-operation is difficult in France, as there is no culture or institutional structure for evaluating public policies in this regard.[1]

Note: 1. See Cour des Comptes (2005).

Sources: OECD (2011), *Estonia: Towards a Single Government Approach*, http://dx.doi.org/10.1787/9789264104860-en; Charbit, C. and M. Michalun (2009), "Mind the gaps: Managing mutual dependence in relations among levels of government", http://dx.doi.org/10.1787/221253707200; OECD (2006), *OECD Territorial Reviews: France 2006*, http://dx.doi.org/10.1787/9789264022669-en; Hernu, P. (2006), "Co-operation between municipalities in France: The search for greater effectiveness of public action at the local level".

With 1 671 municipalities and 196 provincial municipalities, many of them located in rural areas, the need of co-operation appears to be a priority to assure better delivery of services across all the territory. Since 2007, two or more district municipalities are allowed to enter into a voluntary agreement to become a joint "*mancomunidad*" in order to provide services and promote local development jointly As a result, the new regulation (Law on Municipal Mancomunidades, *Reglamento de la Ley de la Mancomunidad*

Municipal) aims at enhancing co-operation among these local decision makers in order to promote local integration and joint efforts to provide services to the population. The regulation was amended in 2009 and its rules of procedure, which provided the legal basis for associations or assemblies of local governments, were approved in 2010 (PCM, 2015).

Five years later, it is still premature for a real assessment on the impact of those *mancomunidades* in enhancing and improving co-ordination and service delivery. The information available shows that as a result as this new legislation, more than 170 *mancomunidades* were formed with the participation of 871 municipalities to provide services and implement priority projects to meet local needs. In practice, only 26 are functioning and their spending represents 0.08% of local expenditure (according to data from the MEF)

In the context of acute and persistent regional disparities, *mancomunidades* have the potential to provide very efficient means of communication to overcome the obstacles to multi-level governance in Peru. The central government's support to promote and assure the proper functioning is crucial in that sense. Their contribution to more efficient public governance can be summarised as implementing projects, promoting local development, empowering initiatives for citizen participation and improving the quality of services delivered to the population.[9] In this manner, various other initiatives of a similar character have proven fruitful in numerous Latin American countries such as Bolivia, Ecuador and Guatemala (PCM, 2015).

That said, initiatives similar to the *mancomunidades* are slowly developing at the regional level in Peru as well. Regional *mancomunidades* were created in 2011 (PCM, 2015). In contrast to their mushrooming municipal counterparts, co-operation among regions is developing rather slowly in Peru and there are not many success stories. To date, the regions of Apurímac-Ayacucho-Huancavelica joined efforts in 2013, as did the regions of Qhapaq Ñan Nor Amazónico in the same year. Further co-operation among different regions in Peru could contribute to the economic well-being of the country as a whole, including in rural regions.

Local democracy: The status of mayors and regional governors

The decentralisation process initiated in 2002 also aimed at bringing accountability closer to citizens. The judicial system has not enabled this to occur at the local level: Peru is lagging behind other countries in the region in strengthening the rule of law at the subnational level. Corruption cases persist at the local level and in administrations that interact directly with citizens. Around 65% of corruption happens at the level of regional governments (Arbizu, 2014). A survey published in 2012 by the Peruvian NGO Proética also pointed out that the perception of corruption in subnational governments remains high (Proética, 2012).

As outlined at the beginning of this chapter, mayors and regional governors are the highest authorities within their jurisdiction and are directly elected for a period of four years. Their mandate ends at the end of each term and there is no immediate re-election. Following at least one term out of office, individuals having served in office may run again. These term limits were instituted recently with an amendment in 2015 of Articles 191 and 194 of the Peruvian Constitution specifically to respond to cases of irregularity and corruption that have occurred over the past years in regional governments and municipalities. Thus, term limits were instituted to reduce cases of corruption under the assumption that longer terms in office would encourage corruption.[10]

Many of the regional and local representatives interviewed for this review acknowledged the need for the state to send a strong and symbolic message against corruption as well as the need to apply the same measure on term limits instituted for the President of the Republic to subnational counterparts. But this new rule generates limitations in the capacity to implement a medium-term strategic vision for a region's development and for sustaining operating relationships between the national government and the decentralised governments across electoral cycles. Intergovernmental co-operation mechanisms and technical assistance are difficult to sustain over time; in Peru they now need to be constantly renegotiated or new ones signed because every four years new actors are elected and relations need to be rebuilt, sometimes from scratch.

In addition, and perhaps most importantly, the cause-and-effect relationship between lack of term limits and increased corruption at the local level has yet to be proven, especially in the absence of robust transparency, integrity and accountability frameworks, and the administrative and judicial capacity to sustain their application at the local level. Indeed, no evidence exists that proves that term limits are effective in fighting corruption at the subnational level. Since the law on term limits changed in 2015, more time is needed to conduct a proper assessment on the causal relationship between local corruption and term limits (see OECD, forthcoming).

Human resources management and citizens' participation at the local level

Human resources management and workforce planning in subnational administrations, notably to attract and retain a critical mass of well-trained, highly competent civil servants in regional and local administrations, are key to improving integrity and transparency in the regional and local public sector as well as being a strategic driver for job creation and economic growth regionally and nationally (see Chapter 5). They are also tools to improve service design and delivery, to attract and stimulate private investment, and to facilitate co-ordination between private and public investment actors.

In Peru, as in OECD countries, building sufficient capacity and professionalism in local administrations is central to ensuring that they are able to meet their responsibilities and contribute to national economic growth. Subnational governments promote economic growth within their own geographic areas, and compete for employment-generating investments. The functions and services provided by subnational governments may affect such variables as growth and employment within their own territory, but subnational governments cannot normally be held accountable for how these affect national developments, except by their own electors.

The incomplete decentralisation process is also reflected in the weak institutional capacity and organisation in many of its regions and municipalities. As pointed out in Chapter 5, in general, Peru's challenges in human resources are magnified at the regional and local levels. Peru's subnational governments appear to be facing, to a large extent, similar challenges and opportunities to enhance the capacity and capability of their internal workforce. Over 46% of Peruvian public sector employees are located at the subnational level (22% at the regional level and 36% at the municipal level) and approximately 42% at the national level.

With every change in political mandate following elections, Peru experiences an extensive turnover in its public administrations. This is also the case of regional and local administrative bodies, as there is no organised civil service at the subnational level. The replacement of the political head is associated with significant changes in the local bureaucracy. The discretion to recruit and dismiss local staff without the approval of the

central government is a practice that gives local governments increased independence. Yet, as the forthcoming OECD Integrity Review points out, when effective controls and safeguards are not in place, this can create opportunities for corrupt employment practices. Providing more professional and well-prepared staff at the subnational level can also be a guarantee of a minimum degree of administrative stability for those who argue in favour of limiting the election of governors and mayors to a single term. This could contribute to ensuring a good transition and that administrative procedures and management are stable and sustainable beyond a single electoral mandate.

The National Skills Development Plan for Public Management and Good Governance of Regional and Local Governments approved in 2010 (Supreme Decree No. 004-2010-PCM) contained the guiding principles and instruments for training policy for the subnational levels of government. However, no progress has been made in its implementation. A distinct proposal has been drafted for a National Plan of Institutional Capacity Building for 2015-21 – Decentralised Management. This proposal is in addition to the plans on the development of individual civil servants. There is also a need to identify and develop policies, procedures, protocols and forums to encourage intergovernmental co-ordination, and to build models of decentralised management for public utilities.

SERVIR, the PCM's agency for managing the civil service modernisation strategy (see Chapter 5), has started working on this matter with an assessment of civil service knowledge at all levels, paying particular attention to the subnational level to identify the training and capacity-building needs (*Diagnósticos de Conocimientos* in Spanish). As Figure 4.3 shows, a serious gap exists between Lima and the rest of the regions and particularly with the more isolated regions, the Oriente, where the state is less present.

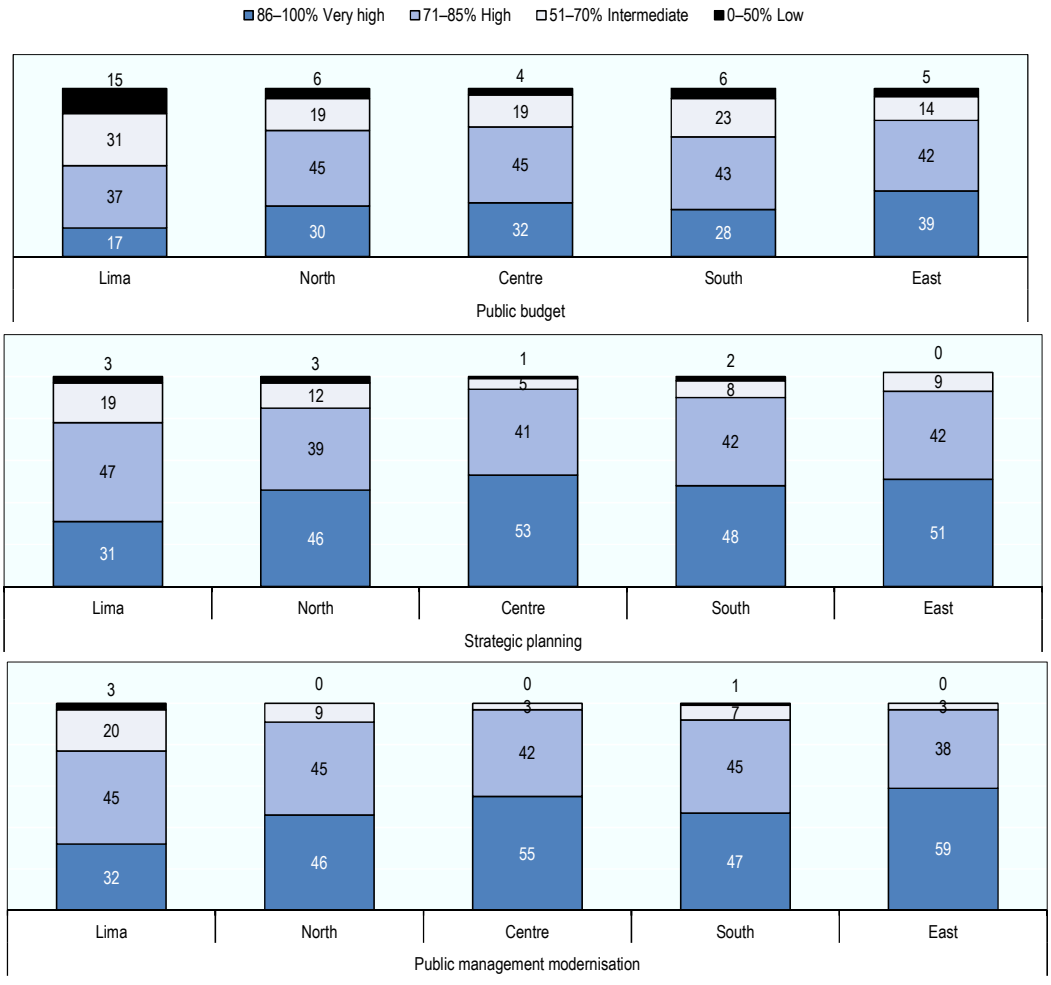
In this context, SERVIR and the Decentralisation and Public Management Secretariats will have to continue playing a key role not only in supporting capacity building for recruitment procedures, but also for the training of subnational public employees. SERVIR is also developing specific training through the National Public Administration School and by strengthening human resources offices (SERVIR, 2014). The MEF provides specific training and capacity building on the ground to support local governments in the elaboration of budgetary planning and measurement (Ministry of Finance and Economy, 2013). This is also an illustration of the strong need of able, competent and well-prepared officials at the subnational level.

The 2002 decentralisation process and subsequent regulations have enhanced local participation and local responsibility for expenditure. Several mechanisms have been put in place to ensure citizen participation (see Chapter 7). For instance, the National Office for Dialogue and Sustainability (Oficina Nacional de Diálogo y Sostenibilidad) is a deconcentrated body that also provides an effective instrument at the regional level to promote citizens' consultation and participation and in the promotion of a culture of transparency, openness and accountability. Participatory budgeting is the main tool that regional and local governments use to promote citizens' participation. Box 4.6 outlines the different phases where public consultation and citizens' participation are provided at the regional and local level.

While local participatory budgeting is still being established, as mentioned in Chapter 3, the MEF is promoting results-based budgeting for regional governments, initially in five strategic programmes that have an impact on people's development and quality of life. The intention is for this form of budgeting to be implemented gradually throughout the public sector, reaching local governments. This represents a significant

challenge, as it requires capacity building to enable local governments to begin identifying shortcomings in the provision and quality of local services that have a direct impact on people's living conditions and quality of life, the results of which determine the quality of public spending and investment.

Figure 4.3. **Assessment of the distribution of Peruvian civil service knowledge among regions**



Source: Diagnósticos de Conocimientos, SERVIR.

At local level, the MEF has also put in place an instrument for budgeting for results, the incentive plan for the improvement of the management and municipal modernisation to promote reforms to achieve the sustainable development of the local economy.

There are different examples of citizen's participation in assessing different manifestations of public administration performance. Examples include the Governance Barometer and the promotion of governance and capacity building in isolated regions described in Box 4.6.

Box 4.6. **Examples of citizens' evaluation of the decentralisation process**

Some civil society organisations have been very active in the follow-up of the implementation of the decentralisation process in Peru. Two major initiatives can be mentioned.

The **Governance Barometer** (Barómetro de la Gobernabilidad) reinforces the leadership role of Peru's municipal and regional governments in promoting local development. It also serves to strengthen the government of Peru's administrative systems, harnessing technology and innovation to speed progress. The adoption of the barometer by the Comptroller General to provide key management information to municipal and regional authorities ensures its continued contribution to Peru's development for years to come.

The **Decentralisation Compass** (Brújula de la Descentralización) is a "road map" elaborated by Prodes that identifies priorities to be addressed by stakeholders in charge of implementation and reinforcing the decentralisation process. It is made on the basis of systematic information on the map of decentralisation policies and standards, and by collecting the recommendations of representatives of the executive branch, Congress, civil society actors of regional governments, among others.

Source: Proetica (n.d.), "El Barómetro de Governabilidad", www.proetica.org.pe/el-barometro-de-gobernabilidad-un-instrumento-orientador-para-una-gestion-publica-eficaz; Prodes (n.d.), http://prodescentralizacion.org.pe/assets/pub_prodes_brujula2010_2011.pdf.

Assessment

OECD experience in effective multi-level governance

In light of the challenges described above in implementing effective multi-level governance arrangements, Peru could benefit from OECD experience of mechanisms that have been adopted by, and worked effectively in, member countries to pursue national multi-sector regional development policy co-ordination:

- Co-ordinating structures such as inter-ministerial committees and commissions. This is one of the simplest systems for horizontal governance, since it is based on the existing government structure. Examples include the Ministerial Committee for Regional Policy in Denmark, the Presidential Committee on Regional Development in Korea, and the Cabinet Subcommittee on Rural and Regional Policy in Norway.
- Fully-fledged regional development ministries with broad responsibilities and powers that encompass traditionally separate sectors. Some positive implications of the concentration of different responsibilities within the same authority include a more open and coherent perspective, a concentration of expertise and the possibility of a more integrated approach. Specific ministries for regional development have been created in Chile, the Czech Republic, Poland, the Slovak Republic and Slovenia.
- Vertically co-ordinated strategic planning and programming, including agreements, frameworks and instruments. The formulation and implementation of national regional policy programmes and/or spatial planning can provide the framework for greater central co-ordination and is widely used across OECD countries. Planning and programming have been recognised as policy tools for regional competitiveness policies. In many countries, spatial planning is gradually moving from land-use regulation frameworks towards long-term strategic documents, focusing on the co-ordination of diverse issues and interests across sectors as well as between levels of government. It often incorporates monitoring, feedback and revision mechanisms.

Examples include the National Strategic Reference Framework in EU countries, the National Spatial Strategy in Japan and the Comprehensive National Territorial Plan in Korea.

- Special units or regional development agencies that provide planning and advisory support to facilitate policy coherence across sectors at the central level. High-level "special units" or "regional development agencies" have been created in several countries to ensure consistency among sectors. The closer such units or co-ordinators are to a chief executive, the greater the incentives are for co-operation across line ministries. Examples include the French inter-ministerial Delegation for Spatial Planning and Regional Action (Délégation à l'Aménagement du Territoire et à l'Action Régionale, DATAR), which is linked to the Office of the Prime Minister; and the Austrian Conference on Spatial Planning under the auspices of the Federal Chancellery. In Peru, the PCM's Decentralisation Secretariat plays (or has the potential of playing) this role. Special units within line ministries include, for example, the National and Regional Planning Bureau of the Ministry of Land, Infrastructure, Transport and Tourism in Japan and the Spatial Economic Policy Directorate of the Ministry of Economic Affairs in the Netherlands.
- Regional ministers. Ministers must take into consideration the territorial aspects of the programmes and policies of their portfolios. For example, Canada appoints "regional ministers" who have regional responsibilities and represent the interests of their respective regions. Ministers combine their regular (sector-based) portfolio duties with their regional political roles. Canada, France and the Netherlands, for instance, have appointed one or more ministers who represent the interest of the leading region in the country, i.e. the State Secretary for the Development of Île-de-France in France and the Minister for Randstad in the Netherlands.
- Territorial proofing mechanisms. Territorial proofing is a mechanism that monitors government policies to prevent them from having a negative impact on certain types of territories. Ideally, proofing should be implemented in the early stages of designing policy. In addition to the rural proofing system of Canada and the United Kingdom, Korea and Sweden introduced a rural proofing mechanism. In Sweden, the rural development strategy was created in 2009, and every ministry was tasked with looking at its own policy area and putting a rural perspective on it. In Finland, the Ministry of Employment and Economy has required sector-based policy makers to clarify their regional strategies and has assessed regional impacts (regional proofing) since 2004. Ten key sector ministries must define regional development plans in their field of responsibility, which fit into the Regional Development Act guidelines defined by law and the nine regional development targets adopted by the government in 2004.
- Combining financing and/or creating a consistent and comprehensive budget. The budgeting system is also a powerful tool for integrated policy making. Integrating financial tools and programmes can improve transparency and synergy across sectors and facilitate accountability and performance monitoring. Mexico grouped together ministerial budgets for rural policies into an official rural budget under the Special Concerted Rural Development Programme. Korea transformed many specific-purpose national grants into general grants, and established the Regional Development Special Account. A block grant was then adopted to give local municipalities the authority to autonomously design projects.

In addition, the OECD has recently adopted an instrument in this area in the form of the *Recommendation of the Council on Effective Public Investment Across Levels of Government* that could be useful in offering guidance to Peru on how to strengthen intergovernmental co-ordination to ensure that public resources are expended subnationally in a way that is transparent, accountable, and achieves measurable results for people and businesses that reflect their specific needs in each region of the country (Box 4.7). The OECD *Territorial Review of Peru* (2016a) also makes reference to this matter.

Box 4.7. **OECD Recommendation of the Council on Effective Public Investment Across Levels of Government**

The OECD *Recommendation of the Council on Effective Public Investment Across Levels of Government* groups 12 principles under 3 pillars: co-ordination, capacities and framework conditions.

- Pillar 1: Co-ordinate across governments and policy areas
  1. Invest using an integrated strategy tailored to different places.
  2. Adopt effective co-ordination instruments across levels of government.
  3. Co-ordinate across subnational governments to invest at the relevant scale.
- Pillar 2: Strengthen capacities and promote policy learning across levels of government
  4. Assess upfront long-term impacts and risks.
  5. Encourage stakeholder involvement throughout the investment cycle.
  6. Mobilise private actors and financing institutions.
  7. Reinforce the expertise of public officials and institutions.
  8. Focus on results and promote learning.
- Pillar 3: Ensure sound framework conditions at all levels of government
  9. Develop a fiscal framework adapted to the objectives pursued.
  10. Require sound, transparent financial management.
  11. Promote transparency and strategic use of procurement .
  12. Strive for quality and consistency in regulatory systems across levels of government.

Source: OECD (2014d), *Recommendation of the Council on Effective Public Investment Across Levels of Government*, www.oecd.org/gov/regional-policy/Principles-Public-Investment.pdf.

Several OECD countries have developed specific multi-level governance co-ordination instruments. For example:

- Australia: Federal and subnational governments (through the Council of Australian Governments) have endorsed national guidelines on public-private partnerships (PPP), agreed to on a national port strategy, and concluded inter-governmental agreements on heavy vehicles, rail and maritime safety.

- Canada: The Gas Tax Agreement is a formal tri-partite contractual arrangement among federal, provincial, and local authorities for implementing policies and co-ordinating investments in sustainable municipal infrastructure.
- Finland: As part of the new regional development planning system, growth agreements between the state and major cities and define key actions for the development of city-regions. The thematic scope focuses on competitiveness and resilience.
- France: Since 1982, the state-region planning contracts (on which the Colombian *contrato* -plan is based, - see below) have been adopted as important tools in regional development policy for planning, governance and co-ordination. They are characterised by their broad thematic coverage and cross-sector nature, with a territorial approach being applied across diverse policy fields including investment, industrial, environmental, and rural issues.
- United Kingdom: Since late 2011, urban policy has been centred on "City Deals" that are being implemented in waves. City Deals are agreements between the government and a city that give the city control to: take charge and responsibility of decisions that affect their area, do what they think is best to help businesses grow, create economic growth and decide how public money should be spent.

Another example is the case of Poland, a country with a strong centralist tradition like those of other Central and Eastern European countries and that in the run-up to its accession to the European Union embarked on far-reaching decentralisation and regionalisation reforms which resulted in the establishment of the most decentralised territorial system among the "new" EU member countries. Poland has put a number of central level institutions in place, such as the Committee for Co-ordination of the National Development Strategy and the National Strategic Reference Framework, led by the Ministry of Regional Development, which is in charge of ensuring the co-ordination between levels of government and between sectors at the subnational level for regional development. These institutions can play a key role in the future in enhancing the effectiveness of the much-needed co-ordination mechanisms, not only vertically, but horizontally as well.

More specifically, contractual arrangements between the regions and the Polish central government mainly serve as the implementation tool of European Union Structural Funds, but it provides the basis for achieving enhanced co-ordination and coherence by broadening the existing mandate given to the *voivodship* (regions) to encompass the co-ordination of all spatial development plans and all supra-national, national and regional spatial programming being disbursed in the territory. National legislation implementing the National Strategy for Regional Development instituted a contractual arrangement between those *voivodships* and the central government called the Voivodship Contract, a civil law agreement with the *voivodship* self-government.

Last but not least, Spain has developed several tools and intergovernmental fora to manage relations between the central government and the autonomous regions (Box 4.8).

Box 4.8. **Multi-level co-ordination mechanisms in decentralised complex systems: The case of Spain**

Different kinds of institutionalised governance mechanisms have been developed in Spain to facilitate the co-ordination and co-operation among the central state and the regional level, the autonomous communities (ACs):

Sectoral conferences. Sectoral conferences represent the most important multi-level governance arrangement in Spain. For a given policy area, they bring together regional ministers (consejeros regionales) with the equivalent central government ministry.

Joint plans and programmes. These plans are created at the initiative of the respective sectoral conference to achieve common objectives in areas where the central government and the ACs have shared competences.

Bilateral co-operation commissions (*comisiones bilaterales de cooperación*). Similar to the sectoral conferences, they are established between the state and a single autonomous community. These commissions seek to solve co-ordination problems in a more focused and timely manner. Bilateral commissions have worked successfully in a number of areas, for example in the field of environmental policy.

Co-operative covenants (*convenios*). *Convenios* are typically used by the central government and the ACs to reach co-operative agreements on specific issues, with the main type of agreement used being the *convenio de colaboración*. A *convenio* is a kind of contract that specifies the duties of the parties in developing a concrete activity or programme. Both parties, the central government and the AC, are free to decide if they wish to engage in this kind of contractual relationship. Most *convenios* have a financial component, with the financial commitment of the national government, most of the time, in the form of intergovernmental transfers. As for similar legal arrangements in other OECD countries, the importance of *convenios* in Spain has been steadily increasing over time.

The Conference of the Presidents of Autonomous Communities. Created in 2004, this is the highest level institution for multi-level co-operation between the central government and the ACs. It is presided by the Prime Minister of Spain and composed of the presidents of the 17 autonomous communities and autonomous cities of Ceuta and Melilla. It has met five times: in 2004, 2005, 2007, 2009 and 2012.

The Conference of the Governments of the Autonomous Communities. While strictly speaking not multi-level, such a horizontal institution can nonetheless be important for multi-level co-operation. It can facilitate finding shared positions of the ACs in negotiations with the central government, and thus vertical co-ordination. It can also help as a forum for exchanging knowledge and best practices among regions, or to conduct shared projects or initiatives. Even though there have been some shared declarations and agreements, the activity of this conference has been fairly limited so far.

Source: OECD (2014e), *Spain: From Administrative Reform to Continuous Improvement*, http://dx.doi.org/10.1787/9789264210592-en.

Intergovernmental co-ordination in federal and unitary states in the OECD

A federal state: Canada

Different models can be mentioned according to the model of state. In the case of Canada, a federal state, managing intergovernmental relations is an important aspect of effective public governance as most issues in public policy cross jurisdictional lines and in most areas the actions of one government affect those of other governments. Consequently, relations with other governments are a major concern for all Canadian jurisdictions, and governments have developed mechanisms to co-ordinate.

- Intergovernmental relations in Canada focus on the relations among federal and provincial/territorial executives – first ministers, ministers and senior officials. These relationships serve a number of purposes. They provide forums for the exchange of information, for bargaining, negotiation and consensus-building. Given the importance of intergovernmental relations, overall responsibility for them is normally assumed by the Prime Minister at the federal level, and by premiers at the provincial/territorial level.
- At the federal level, the Prime Minister is assisted by a Minister of Intergovernmental Affairs with specific responsibilities in the area, and supported by a Secretariat within the Privy Council Office.
- Provinces and territories have a department, a secretariat or a co-ordination unit within the Executive Office responsible for intergovernmental relations. Their primary roles are strategic policy and communications, co-ordinating activities with other ministries, keeping up with developments in other jurisdictions, and day-to-day liaison with their counterparts elsewhere.

At the apex of the system, federal/provincial/territorial first ministers conferences or meetings bring together Canada's most senior political leaders. They often provide the opportunity for governments to find common purposes and chart general policy directions. They provide a forum for the exchange of information and ideas, and for negotiation and persuasion. The frequency of meetings has varied considerably over time, depending on the political agenda, since there is no regular schedule for the holding of such meetings/conferences. They are called by the Prime Minister. There are no fixed procedures. The Prime Minister chairs and normally provinces speak in order of their entry into the Confederation. No votes are taken. Parts of conferences may be held in public, but most discussion takes place *in camera*. In addition to these meetings, there are many informal contacts between the Prime Minister and premiers, often taking place bilaterally.

The majority of the high-level intergovernmental conferences are served by the Canadian Intergovernmental Conference Secretariat (CICS). The CICS was created in 1973 by first ministers. It is an agency of the federal and provincial governments, funded by both levels of government; staff includes both federal and provincial/territorial public servants. As such, the secretariat acts as a neutral intergovernmental body. The primary objective of the CICS is to support the numerous logistic, technical and administrative tasks associated with the planning and conduct a federal-provincial-territorial and provincial-territorial meetings of first ministers, ministers and deputy ministers. Any federal, provincial or territorial government department proposing to convene an intergovernmental meeting of first ministers, ministers or deputy ministers can request the CICS' services.

A unitary state: Italy

As part of a process of policy decentralisation to the regions that has been underway over the past 20 years in Italy, a statutory body has been formed to co-ordinate relations between the state and the regions called the State-Regional Conference (Conferenza Stato Regioni) (Ruggiu, 2011). Despite being a unitary state, Italy has a governance structure in which regions share important powers with the central government in areas such as economic development.

This principle is embedded in Article 117 of the Constitutional Law giving concurrent competences to the state and regions in a range of areas such as scientific and technological research, innovation support for productive sectors, and regional credit institutions.[11] The State-Regional Conference[12] is a forum in which regions give their opinions on national government legal and administrative decisions relevant to them. This structure is proving useful in setting programmes that are coherent among each other and, at the same time, tailored to the different development needs of regions. It has been limited to the framework in which EU funds operate and therefore has not included programmes which are not co-financed by the EU.

In addition to this structure, the regions (and the two autonomous provinces) have established a second voluntary body (the Conferenza delle Regioni e delle Province Autonome)[13] which seeks to reinforce interregional co-ordination of policy. This conference attempts to find common positions for the regions, to represent their views to central government, and to act as a discussion forum for common issues and interregional problems. However, since it does not have a statutory nature, it has mainly acted as a forum for discussions, with the power remaining with the regions themselves. As a result, there is no possibility to come to decisions that are binding on all regions unless there is consensus.

The experience of Colombia

Beyond the OECD, experience in non-member countries could also be useful to Peru. Colombia's main vertical co-ordination instrument for flowing royalty investments to departments and municipalities is the *contrato* plan (Box 4.9), modelled on the French *contrat de plan État-région* (CPER) and an OECD good practice. The *contrato* plan promotes co-ordination between the central government and one or more subnational entities.

The aim of these contracts is to implement and finance strategic development projects presented in Colombia's National Development Plan, analogous to Peru's National Strategic Development Plan (PEDN, see Chapter 3), in given territories, which involve one or more subnational entity. Contracts are based on the principles of co-ordination, subsidiarity. Contracts list projects, programmes and public policies based on national and subnational priorities such as peace consolidation, gender equity and sustained economic growth.

- Colombia's contracts are signed between the central level – the National Planning Department – and local governments. The National Planning Department has the responsibility to provide subnational entities with technical assistance to help implement the agreed contract. The contracts programme also promotes co-operation between the different subnational governments involved in its implementation. For example, contracts create territorial associations to co-ordinate capacity and resources of the subnational governments to consolidate a shared vision of the development of a given territory.
- These contracts are thus a tool to carry out objectives under the National Development Plan: they seek to align national and regional development agendas, and to monitor and evaluate results. Co-operation between the central government and subnational entities starts by assessing the characteristics and the growth potential of a given territory. Based on this assessment, the central government and the subnational entities participating in the contract harmonise their development strategies. This co-ordination arrangement is formal and based on contractual guidelines lasting four years, the same period as the National Development Plan. Contracts are public and are the subject of

consultations with the local business community and citizens. Contracts also clarify policy objectives and allocated funds, thus simplifying monitoring and evaluation of policy interventions. Monitoring and evaluation activities are done by SINERGIA, Colombia's national policy performance-monitoring system (see Chapter 3).

- Informal co-ordination also supports the implementation of these contracts. The alignment of the National Development Plan with territorial development plans depends on the capacity to create support at the local level for the general policy goals identified in the National Plan. This informal process is important to ensure that the development policy objectives identified in the contract are realistic and supported by local constituencies (business communities, citizen associations, etc.). The success of these informal co-ordination processes depends on the political capital of subnational governments: their capacity to involve key local actors and gain their support.

Box 4.9. **Colombia's *contrato* plan**

Colombia's *contrato* plan is a governance tool that helps align investment agendas at the national and local level, improving accountability and transparency and providing subnational authorities with capacity building. The contract is a binding agreement between the central government and a department, a group of departments or a group of municipalities. The parties commit to co-ordinate their investment agendas among sectors and across tiers of governments. In addition, they agree to deliver their interventions within a given timeline.

Colombia's negotiated territorial development is part of a broader national strategy whose aim is to create institutions and capacity that can support development policies. Contracts were introduced in 2012 by the national Law on Land Use (Ley Orgánica de Ordenamiento Territorial, LOOT) and by the National Development Plan 2010-2014, "Prosperidad para Todos". The LOOT is a key achievement for Colombia because it demonstrates that public authorities have regained control of the national territory after decades of conflict. Its intent is to improve Colombia's multi-level governance, and provides public authorities with flexible governance instruments to deliver policy interventions where they are needed the most. The *contrato* plan was instituted as a result of the 2011 reform of royalty payments. This important reform distributes revenues generated by extractive activities to all departments in the country. Subnational authorities can use this additional revenue to co-finance interventions listed in the contracts. Finally, contracts also connect with innovative approaches to rural development that seek to improve service delivery to poor households in remote communities.

As of 2013, seven *contrato* plans had been signed in Colombia, for a total (anticipated) investment of USD 6.7 billion over five years. The policy affects almost 6 million citizens, most of whom live in rural/remote areas in nine departments. The contracts identify infrastructure, and in particular road connectivity, as their main objective. Basic services such as healthcare, education and water sanitation are also priorities. While these objectives are supported by national transfers earmarked by the central government to all departments and municipalities, the contracts add flexibility to the policy and allow subnational authorities to tailor action to their specific needs. In short, departments and municipalities have more funds, the possibility of co-ordinating different sources of investment from different levels of government (co-financing mechanisms), and improved capacity to promote development and fight poverty.

Contracts are not a panacea in the Colombian context, but they have generated some positive results. For instance, they have "reactivated" development planning at the department level. Department plans, in fact, identify measures to be taken within the contracts. Another key advantage is the opportunity for learning that the contracts provide departmental governments. They offer subnational authorities the possibility of working with national representatives as they execute the measures, including large infrastructure projects. In general, contracts are a first attempt in Colombia to connect spatial planning with development policy.

Source: OECD (2013), *Colombia: Implementing Good Governance*, http://dx.doi.org/10.1787/9789264202177-en.

Recommendations

The OECD has through this experience identified certain "do's" and "don'ts" when countries have developed these kinds of co-ordination instruments. For instance, countries have found that it is important to:

- develop integrated national strategies with clear long-term goals for public investment (at all levels)
- use contracts/formalised agreements between levels of government
- ensure co-financing arrangements between levels of government
- formalise consultation of subnational governments in the development of national plans
- establish platforms for regular intergovernmental dialogue
- institutionalise the dialogue of national representatives in regions with respective subnational authorities.

At the same time, countries have learned to avoid under-estimating co-ordination challenges, engaging in co-ordination with other levels of government too late in the investment decision-making process, multiplying co-ordination bodies without clear value added in the decision-making process, and creating a proliferation of intergovernmental contracts that are complicated to manage.

Despite the general level of support for the 2002 decentralisation process, Peru still faces enormous challenges to assure a coherent and co-ordinated approach to ensure effective service delivery to citizens at all levels. Thirteen years after initiating this process, the legal framework is fragmented, overly complex and difficult to implement, with overlapping, confusing and uncoordinated roles and responsibilities between subnational governments and between subnational and national authorities. Regional governments were created around department borders. But the organic laws of municipalities and regional governments did not establish full clarity on the exact division of responsibilities between different levels of government (national, regional, local). Indeed, this chapter has argued that decentralisation is not an objective in itself; rather its aim is to ensure better service delivery at the most appropriate level.

To address these issues, the Peruvian government could consider the following recommendations. In so doing, it could take into account the assessment and recommendations presented in the recently released *OECD Territorial Review of Peru*, whose advice should be considered in conjunction with the following recommendations.

1. Reinforce institutional arrangements to deliver effective decentralised governance

- Strengthen capacity to implement decentralisation in the structures within the PCM by reinforcing the human and financial resources of the Decentralisation Secretariat to work closely with regional and local governments on designing and implementing decentralisation strategic policy and assessing and monitoring progress, and feed this information into CEPLAN and the MEF.
- Strengthen the working relationships between the Decentralisation Secretariat, the Public Management Secretariat, CEPLAN and SERVIR so that all are working to achieve the same strategic decentralisation objectives, and all are working to mainstream decentralisation within the National Strategic Development Plan (PEDN).

As recommended in Chapter 2, these units could work together for a Vice Minister of National Strategy and Public Administration Reform, responsible for integrating all strands of national development strategy, including decentralisation and regional development, inclusive growth, and public administration reform at the subnational levels, into the PEDN.

- Strengthen the working relationship on decentralisation with the MEF, to ensure that performance budgeting is implemented at the subnational level and subnational expenditure performance information is fed back into PEDN planning.
- Over time, consider creating, separate from the Decentralisation Secretariat that would remain in the PCM and retain strategic policy responsibility for decentralisation, a Ministry for Regional Development with operational responsibility to work with regional and local governments to implement decentralisation effectively in all regions of the country, including managing intergovernmental arrangements (including contracts – see below) to deliver co-ordinated fiscal resources to subnational governments and help monitor expenditure performance against the achievement of results for regional development, regional-disparity reduction and improved outcomes for people in each region of Peru.
- Conduct a robust regulatory stock review of all laws, rules and regulations adopted to implement decentralisation since 2002 to eliminate overlap, duplication and dysfunctions to achieve greater clarity, transparency and accountability for decentralisation.
- Finalise the clarification of roles and responsibilities of national, regional and local governments. This could include the identification of services to be provided by each level of government, the active participation of line ministries, and the opinion of regional and local governments with which competencies are shared.
- Publish a comprehensive list of the distribution of competencies. As stated in Chapter 6, there is a clear need for more and better information addressed to citizens.
    - The Decentralisation Secretariat could publish user-friendly information regarding the decentralisation process and delimitation of powers and competencies among the different levels of the administration.
    - Go further than the current annual report on decentralisation by developing performance indicators on decentralisation and on the impact of decentralisation on improving the standards and quality of services delivered to citizens, on their impact in improving outcomes for people in each region, and on reducing regional disparities across the country.

2. Strengthen the fiscal autonomy of subnational governments and implement equalisation grants

- Formulate multi-level co-ordination instruments, including intergovernmental contracts, to deliver the *canon* resources – a contractual framework that includes purpose, objectives, results/outcomes sought, and a monitoring and evaluation framework, and, perhaps using Colombia as an example, make sure that the *canon* funding can be co-ordinated with sector-based national budget spending that is decentralised.
- Increase the integration of transfers and *canon* funds with strategic planning processes to achieve clear, defined policy outcomes that are specific to each region, have been

identified in full consultation with regional authorities (using existing institutional arrangements for this that were established for this purpose), and that are fully integrated into the local, regional and national development strategies.

- Promote a thorough needs assessment of the fiscal and administrative capacity of municipal governments with respect to fiscal management and collecting local taxes. The MEF, together with CEPLAN and regional governments should give support to strengthen municipal government fiscal capacity and administrative capacity to fiscal management and collecting local taxes. Local governments could also raise citizens' awareness on paying taxes on time so as to deliver better basic public services.
- Encourage interregional associations of municipalities and other subnational entities to contribute more effectively to national strategy-setting and implementation, and achieve better economies of scale in designing and delivering better services for lower cost that improve outcomes for people, and monitor performance (see below).

3. Improve capacity to address co-ordination challenges between levels of government

- Institutionalise mechanisms for intergovernmental co-ordination of the decentralisation process by implementing a more flexible and adapted structure and ensuring it is fully supported by the structures in the PCM and on sector issues by line ministries. This could include strengthening the role and capacity of the Intergovernmental Co-ordination Council, which could reduce the number of participants, introduce a more flexible system for taking decisions (maybe through consensus and non-binding decisions or recommendations). One option could be to split the Intergovernmental Co-ordination Council into two sections: one dedicated to regional governments and the other to local governments, as in some OECD countries (see Box 4.3).
    - In the case of sector-based co-ordination bodies, the PCM should play a lead role by promoting the creation of dynamic sector-based commissions as well as ensuring a whole-of-government and integrated approach.
    - Ensure that regional and local councils can contribute substantially to national strategy-setting and implementation through effective multi-level governance.
    - Ensure that CEPLAN works together with the Decentralisation Secretariat and the Ministry of Economy and Finance to articulate common planning processes of national, regional and local governments (see Recommendation 1 above), and to design and implement a basic single framework for subnational management linked to performance-based management.
    - Implement an outcomes-based performance monitoring system for decentralisation and subnational management and administration. This system should be aligned to an integrated centre-of-government monitoring and evaluation system. As outlined in Chapter 3, budgetary programmes should be aligned at the three levels of government.
    - Strengthen municipal and regional government associations, including the National Assembly of Regional Governments, to achieve its goal of "driving, developing, deepening and defending the decentralisation process to solidify the leadership role of the country's regional governments".

- Reinforce central and regional co-ordination capacity by establishing institutional support in each region (for example, through a regional development agency in each region or supporting a cluster of regions), composed of civil servants from the national and regional governments, to facilitate a partnership-based approach to regional development and improve co-ordination at the regional level between the region and the national government:
  - Mandate these institutions to support the national and regional governments in addressing regional challenges by generating sound evidence on these challenges and by enabling more robust intergovernmental co-operation to address them; to design, implement and monitor strategies and key projects on the ground; and to engage in interregional co-operation and co-ordination on common projects and the sharing of experience across regions.
  - Mandate these institutions to report simultaneously to the PCM (CEPLAN, the Decentralisation Secretariat and the Co-ordination Secretariat, and the two vice-ministries) to the MEF, and to the regional government(s).

4. Strengthen interface capacity in regional governments to co-ordinate with other governments

- Just as the central government possesses centre-of-government institutional arrangements to lead cross-government and intergovernmental co-ordination of national strategic and fiscal policy setting and implementation, so too should regional governments possess their own "CoG" institution to act as a focal point to engage effectively with the other levels of government and lead implementation of policy, fiscal and administrative initiatives (from regional development plans and budget execution to co-ordinating regional investments, for example in infrastructure, health and education, and policies on human resources management, digital government, transparency, integrity and regulatory affairs) in the region.
- Consider reinforcing capacity in the administrative unit(s) supporting the governor to enable these functions to be carried out effectively in regional governments and to reinforce interface capacity in regional governments to engage effectively with local and national administrations.

5. Strengthen monitoring, evaluation and accountability tools in subnational governments

- Build on the "Monitoring and Evaluation Plan of the Sectorial Competences transferred to Regional and Local Governments, with a Focus on Decentralised Management of Public Utilities", to launch a robust quantitative and qualitative assessment of the impact of decentralisation and transfers of competencies at regional and local level on improving outcomes for people and reducing inequality and regional disparities.
- In addition to the existing tools such as the Decentralisation Secretariat on the administrative dimension, the Integrated System of Financial Administration on the financial dimension and RESULTA on the performance financial dimension on budget programmes, there should be a joint effort between the national and regional level to publish performance information on decentralisation and effective service delivery regularly and in a "user-friendly format".

- Strengthen transparency and accountability at the regional and local levels by, for example, ensuring that local external control institutions have sufficient capacity to carry out their duties, that human resources are appointed using the merit principle and that they can carry out their duties free from political interference.
- Bolster efforts in this area by the Decentralisation Secretariat as well as from control bodies such as the Comptroller General's Office. Few accountability mechanisms for regional and local authorities have been institutionalised: hence, monitor decentralisation using the various existing control, supervision and oversight systems (including government agencies and civic groups).
- Strengthen how existing regional planning instruments (such as the concerted regional development plans) are operationalised by developing mechanisms to better link them with budgeting allocations and with national planning and policy development processes.

6. Strengthen local democracy, capacity-building and human resources at subnational level

- Implement effectively the national Law on Civil Service Reform at the regional and local levels.
- Reinforce capacity building and training at the subnational level to assure a well-prepared, competent and efficient civil service at the local level.
- Bridge the gap between the unequal level of training and knowledge at the local level by assuring the presence of the state in the most underprivileged areas of the country, including in the area of training.
- As developed in the forthcoming *OECD Integrity Review of Peru* and in order to effectively tackle corruption at subnational levels, Peru could consider working on ensuring that national integrity policies are implemented at these levels. This requires strengthening the overall institutional capacity at the local and regional levels, especially in the areas related to political finance and its oversight, public ethics and conflict of interest management, and internal control and risk management.

Notes

1. Article 3 of the Framework Decentralisation Law of Peru (2002).
2. According to the Prodes programme. The ProDescentralización Programme – Prodes of the United States Agency for International Development was implemented between 2003 and 2007, and aimed to strengthen the decentralisation process in Peru. During this phase, the USAID-Prodes programme sought to strengthen democratic governance, promoting the institutionalisation of good governance practices and improving the capacity of relevant public institutions and civil society organisations to contribute effectively to the process of decentralisation.
3. See comments to the late publication of requirements for the accreditation system at: www.propuestaciudadana.org.pe/sites/default/files/publicaciones/archivos/publican_requisitos.pdf.
4. Several reports support this thesis: Prodes (2006), the ANGR report (*Los gobiernos regionales al inicio de su segunda década*, Lima, 2014).
5. As of 15 November 2015.
6. Approved by Ministerial Resolution No. 335-2012-PCM.
7. In contrast, the special mining levy (*gravamen especial a la minería*) is a fiscal revenue of the central government and is a voluntary and temporary surcharge that mining companies pay by virtue of agreements they have made with the government. It is only applicable to firms with valid stability contracts signed before 2011 and those that agreed to the application of this levy with the Peruvian government (Korinek, 2015).
8. www.peru.gob.pe/secciones/pep_municipalidades_creadas.asp (accessed 12 January 2016).
9. https://municipioaldia.com/index.php?fp_cont=993#.VjnU-U2FPq4.
10. http://www2.congreso.gob.pe/Sicr/TraDocEstProc/Contdoc02_2011_2.nsf/0/9c55d65f2eb444e205257ce600781f27/$FILE/00292DC04MAY280514.pdf.
11. Job protection and safety; education, subject to the autonomy of educational institutions and with the exception of vocational education and training; professions; scientific and technological research and innovation support for productive sectors; health protection; nutrition; sports; disaster relief; land-use planning; civil ports and airports; major transport and navigation networks; communications; national production, transmission and distribution of energy; complementary and supplementary social security and harmonisation of public accounts.
12. www.statoregioni.it.
13. www.regioni.it.

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Chapter 5.

Building a stable and professional civil service in Peru

This chapter looks at the management of Peru's civil service as a basic building block of effective governance. The chapter focuses on the ambitious reform agenda associated with the implementation of the new Peruvian Civil Service Law and raises the main challenges for the Peruvian civil service, including a complex multitude of employment regulations, payment criteria and human resource management. The chapter concludes with a set of recommendations to address these issues.

Introduction

A stable and professional civil service is fundamental to government performance in all areas. Hence, the laws, policies and processes of civil service management can greatly affect a country's ability to implement government reform successfully, achieve strategic objectives and improve service delivery to citizens. Civil service management practices that ensure merit, professionalism, stability and continuity in staffing provide the foundations for an efficient and effective public sector that can promote strong, sustainable and inclusive growth. A stable and professional merit-based civil service is a precondition for ensuring that citizens are treated fairly and equitably across the country regardless of regional, ethnic or political affiliation. Professionalism in the civil service emphasises merit and competence. These values contribute to justice and continuity in public administration, which in turn improve governance and democracy and can determine how much trust citizens place in their government and the services that it provides.

This chapter looks at the management of Peru's civil service as a basic building block of effective governance. More specifically, it focuses on the ambitious reform agenda associated with the implementation of the new Civil Service Law which aims to restructure and professionalise the management of approximately 560 000 civil servants in 2 000 public institutions across the country at all 3 levels of government. This reform is part of a wider process of governance modernisation which aims to align a merit-based civil service management with various components of Peru's public management systems, including strategic planning, management for results, knowledge management and administrative simplification, among others.

The potential impact of these reforms is significant, given the scope of the issues that the reforms aim to address. Currently civil service management in Peru is plagued by a complex multitude of employment regulations, payment criteria and human resource management (HRM) practices. The workforce has been fast growing while no workforce planning process appears to limit this growth or align it with government priorities. Furthermore, the Peruvian civil service appears to suffer from a high degree of instability at high levels, which affects the capacity and continuity needed to implement reforms and improve services. In many of the interviews conducted by the OECD during the fact-finding mission for this review, counterparts in all areas of public service modernisation discussed the perceived difficulty in working across ministries with teams that were frequently changing. It was often suggested that this high level of churn in the system negatively impacts the ability of the Peruvian civil service to develop new services or improve existing ones. In this way, the low capacity of Peru's civil service management directly impacts the quality of the services it provides to citizens.

Peru has taken commendable steps towards addressing this situation. The new Civil Service Law, once implemented, stands to greatly enhance civil service management capacity, as well as implementing and reinforcing the need for a merit-based civil service at all levels of the civil service. Systematic adherence to basic merit-based processes and standards in key areas such as recruitment, promotions and compensation in turn creates scope to develop strategic HRM based on competencies, performance and more flexible management of the public sector workforce according to the evolving needs of government.

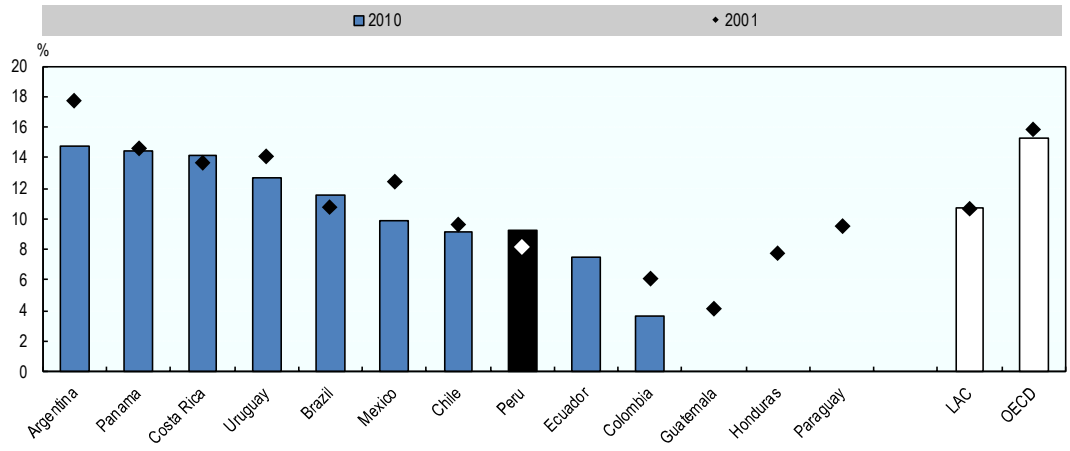
The careful implementation of the law, overseen by the central HRM authority, the National Civil Service Authority (SERVIR, in its Spanish acronym), will be a key challenge of public sector modernisation in Peru over the coming years. This chapter shows that these reforms, once implemented, will put Peru's civil service on a track

towards convergence with the high-functioning civil services of OECD countries, and suggests key areas of focus related to the need to carefully manage the governance and engagement of staff and entities as the implementation process moves forward.

Size and shape of public employment in Peru

Peru has nearly 1.4 million public employees distributed throughout the central, regional and local government public administrations, including the police, education and health sectors, and the armed forces. Public employment in general government represented 9% of the country's total labour force in 2014 and this has increased from 7.9% in 2004 (Figure 5.1), a nominal increase of almost 380 000 employees. According to SERVIR, the civil service has seen significant growth in recent years with an average growth of 40 000 people per year between 2006 and 2014. This has resulted in spending increases of, on average, USD 350 million per year, or approximately 9%.

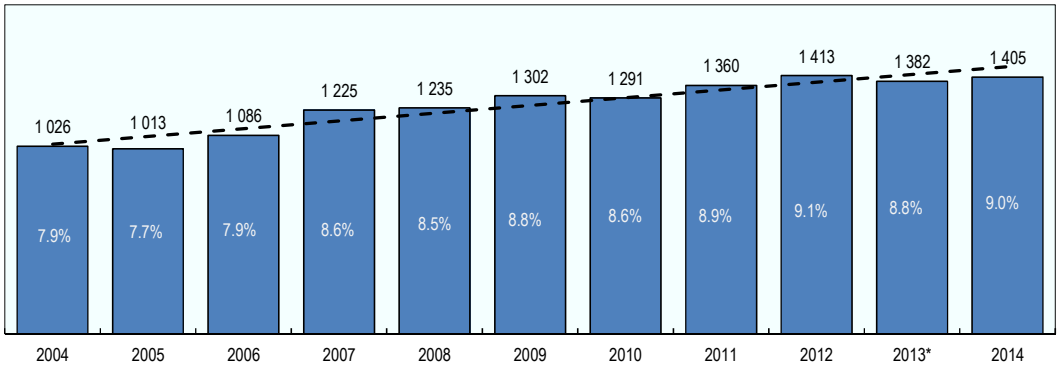
Figure 5.1. **Employment in general government as a percentage of the labour force**



Source: SERVIR.

Figure 5.2. **Evolution of public servants**

Thousands of persons and percentage of total employment



Source: INEI and ENAHO 2004-2014.

Of the total number of public employees, 45.2% are women and 54.8% are men. About half (50.5%) of public employees are concentrated in the so-called special careers (teachers, healthcare professionals, armed and police forces, diplomats, judges, penitentiary servants, among others). The remainder includes technicians (26.3%), assistants (14.5%), professionals (5.8%), officials and managers (3%).

The rest of this chapter focuses on those civil servants who do not fall within the special career system. This group splits across levels of government as follows: approximately 43% at the national level, another 22% at the regional level and 35% at the local (municipal) level.

Institutional and legal context

Peru's national Human Resource Management Administrative System includes SERVIR, the human resource offices (HRO) of each public entity, and the Civil Service Court. SERVIR is the governing body of the system. The HROs implement the system's statutes, principles, methods, procedures and techniques, which are designed and approved by SERVIR. The Civil Service Court is a unit within SERVIR that provides a recourse mechanism for civil servants to resolve conflicts with their employer. SERVIR also includes the National School of Public Administration, which co-ordinates training programmes for civil servants and public managers.

Peru's civil servants are currently regulated under one of three employment regimes, which together account for a total of approximately 560 000 employees:

- public office regime, frozen since 1992: 40%[1]
- private activity regime: 18%[2]
- administrative service contracting "CAS" – a special temporary contracting regime with some working benefits: 42%.[3]

In addition, approximately 113 000 people work in the public sector outside these categories as service providers. Many work in subnational governments and do not appear in official records.

The coexistence of these three regimes has created a system which is difficult to manage.

The public office scheme has been frozen since 1992, when the national government restricted selection procedures through budget regulations. In practice, access to this regime is only possible when a currently occupied position is vacated due to resignation or dismissal, which rarely happens due to the high level of protections in place for employees under this regime.

Promotions are reportedly almost non-existent and base salaries have also been frozen in the public office regime since the 1990s, resulting in the use of various bonuses and allowances to increase pay. Under this regime there is no standardised approach to career development, training or performance management.

Given that the public office regime is frozen and the growth of posts is restricted under the private activity regime due to limitations in the Budget Law, staff growth has mainly been under the administrative service contracting regime, which grew by 63% between January 2010 and December 2014, from 144 695 to 236 009 employees. This is meant to be a temporary contracting regime, and therefore does not exert significant merit-based practices for hiring and provides limited benefits and protections to

employees. It appears, however, that this hiring modality is being extended beyond its intended temporary use.

According to SERVIR, the result is "chaos". Over 2 000 government agencies establish their own HR policies, often below an acceptable standard of merit or scrutiny. This multiplicity of employment regimes results in, for example, over 500 public employment regulations, over 400 different wage criteria, no standardised job posts and no understanding of minimum acceptable hiring criteria, and significant training investments with no planning or co-ordination.

This chaos places significant strain on the operations of the government and the quality of service delivery. Interviews with key informants across the government at all levels and in many different areas of public governance indicated a significant instability at the level of public managers due to a high level of churn. Many interlocutors complained of counterparts changing positions so often that it was impossible to form the lasting partnerships required to implement reforms and improve governance processes. And this churn was not only at the highest management levels, but appears to impact entire teams which are reconstituted once the management level changes. This churn is due, in part, to the absence of a coherent set of civil service HRM principles and practices. With the vast majority of the hiring done through the CAS or private regime, both of which imply terms and conditions negotiated individually with the immediate superior, the opportunity for appointment and dismissal at the will of the superior are high and loyalty is to the immediate superior who wields this power, and not to the broader public or civil service.

The incoherence of the public employment regimes in Peru also has impacts on the ground for service delivery.

- First, as mentioned earlier, it drains the public purse, as the cost of the civil service wage bill grows disconnected to government priorities and service delivery improvements. Furthermore, recent studies of public perception indicate some dangerous trends. For example, only 9% of college graduates would like to work in the public sector when they graduate. This implies that the skills needed to modernise the public sector will be hard to find. Almost half (49%) of entrepreneurs believe that inefficiency of the public administration is the main factor impeding the development of their business.
- Furthermore, various interviews at all levels of government articulated a frustration with the capacity to improve primary service delivery sectors such as education and health due to the instability and low perception of quality of public employment.

SERVIR was created in June 2008 in order to begin addressing many of the issues described above. It is a specialised technical body under the Presidency of the Council of Ministers (PCM, see Chapter 2), with authority nationwide, and over all entities and employment regimes in public administration. Its mission is to improve the civil service in a continuous and comprehensive manner to serve citizens. Its principal functions include:

- plan and prepare the system's national policies regarding human resources, which include work organisation and distribution, employment management, performance, assessment, compensation, development and training, and human relations in civil service
- propose a pay policy

- give an opinion prior to issuing rules of national scope
- train the human resource offices
- regulate and manage the Public Managers Corps.

Civil service reforms

Currently, Peru's civil service is in a state of significant transition and SERVIR is charged with overseeing the design and implementation of Peru's ambitious civil service reforms. These reforms are a foundational element of Peru's public management modernisation process and are guided by the following objectives:

- create a results-oriented civil service focused on citizens
- professionalise the civil service through meritocratic approaches to recruitment, retention and job progression
- gradually achieve a consolidated single employment framework, harmonising the terms of employment, compensation, responsibilities and rights of civil servants
- consolidate the state's HRM system and its key actors; to have instruments and modern management techniques; strengthen HROs.

The new Civil Service Law

The reform is, in essence, the implementation of the new Civil Service Law (30057) published in the official gazette *El Peruano* on 4 July 2013. Almost all OECD countries have civil service laws in force which, to varying degrees, guide the management of the public workforce, define the rights and responsibilities for employees and employers, and provide some level of independence from the political level in order to provide stability and continuity across political cycles. Peru's law has been designed based on OECD best practice and therefore, once implemented, stands to improve greatly many of the shortcomings of Peru's civil service.

The purpose of the Civil Service Law is to establish a single and exclusive scheme for civil servants at national, regional and local levels. It articulates a strategic policy rationale for the civil service reform, emphasising merit and professionalism. The law is designed to consolidate the three existing employment regimes over a six-year implementation period. This law creates a new scheme with duties and rights for nearly 560 000 employees nationwide, representing approximately 40% of the total civil servants, and intends to replace the three labour regimes discussed above.

The law and its secondary legislation provide a broad framework for a complete and integrated merit-based career civil service system. This includes the designation of SERVIR as the technical body with power to oversee that system and its gradual implementation. The law also recognises the complementary roles played by individual HROs in each public entity, and the Civil Service Tribunal.

The regime developed under the new Civil Service Law includes specific provisions for the management of civil service careers from hiring through to retirement. The law defines four categories of employees:

1. Public officials (*funcionarios públicos*), which include elected officials, officials whose nomination is regulated through other legislation (e.g. heads of

independent organisations, judges, etc.) and those who are appointed at the will of their superior (ministers, vice ministers, general secretaries, members of professional bodies, the general manager of the regional government and the municipal manager).

2. Public directors, hired through merit-based open competition for a period of three years, renewable twice. A maximum of 20% of these positions may be political appointments, but they still need to show that they meet predetermined criteria. SERVIR plays a special role in managing this group (see below).
3. Career civil servants, hired through merit-based open competitions for open-ended contracts. All aspects of the career civil service are regulated through the new Civil Service Law as discussed below.
4. Public employees of complementary activities, which support the functioning of the entities, hired for open or fixed contracts.

The law limits the use of political appointments. Political appointees can never account for more than 5% of the total posts in any public entity, with a minimum of 2 and a maximum of 50. This includes public directors, which are limited to 20%.

The new Civil Service Law regulates a variety of HRM practices to be implemented by all public entities with guidance and monitoring from SERVIR. This includes open and transparent hiring processes that are merit-based and capable of ensuring equal access. The number of political appointments (*servidores de confianza*) are significantly limited and appointees must meet pre-determined criteria for each post (for more information see the section on public managers below).

An HR development and training system will be implemented, with SERVIR responsible for the development of a national training policy and defining common standards for entities' development planning. The HRO of each entity is responsible for the planning, delivery (often through a third party) and evaluation of training and development. Two kinds of training are distinguished: work-related training, focused on filling skills gaps required for the organisation to deliver its mandate, and professional development training, such as university degrees to support employees' career advancement. Whereas the former is available to all employees, the latter is only available to career civil servants.

Performance management will be mandatory for all civil servants, including directors, career civil servants and support functions. The system will require clear merit-oriented criteria linked to the particular job profile. SERVIR will design the system and the tools which are to be implemented by each entity's HRO. Evaluation can result in four categories: distinguished, good, under observation or unsatisfactory. Good or distinguished ratings are required for job advancement. Each entity may only award up to 10% of its employees with distinguished ratings. Employees under observation are given priority access to training with a view to improving their performance. Any employee who is under observation on two consecutive performance assessment rounds is considered unsatisfactory and is fired from the entity.

A new pay system will be implemented for those in the new regime, with the intent to improve transparency and equity across public entities. Job family determines base pay, with some adjustment available for factors such as level of responsibility and specific risk/hardship factors. This greatly simplifies the existing pay system in which the base pay may only make up 20% of total remuneration, due the fact that it has been frozen

since 1992 and therefore pay increases have been made through other remuneration vehicles. On the whole, under the new regime, pay will be higher than under the previous public office regime, and roughly in line with the private regime.

The law also standardises the terms and conditions of employment, including working time, vacation, health and social security. The Civil Service Tribunal has been established to protect civil servants in case their rights are not being respected. Civil servants are also guaranteed the right to organise through trade unions and to bargain for changes in working and employment conditions, but financial remuneration is not determined through collective bargaining.[4] Public servants' right to strike is recognised in Article 28 of the Political Constitution of Peru, but is limited in some cases, such as when disruption of service can put people in danger.

The new Civil Service Law was designed based on proven best practice across OECD countries, and, once implemented, is expected to create a lasting impact by significantly improving the organisation, capacity, professionalism and stability of the civil service. It will also build a civil service more in line with common practice in OECD countries. For example, merit-based hiring and limits to political appointments are common features of well-functioning OECD civil services. Almost all OECD countries have mandatory performance assessments for public employees, and are moving towards simple assessment schemes like the four-category model prescribed by the new law. The new pay system based on job families helps to improve the principle of equal pay for equal work – a driving principle of most OECD countries' pay systems. Finally, a clear statement of rights and obligations, as well as some job protection, are important features of all professionalised civil services across the OECD, necessary to protect civil servants from being overly politicised.

However, the design and approval of the law alone will not produce lasting change in Peru. Only a careful and well-designed implementation of the law will have a positive impact. This is the challenge that currently consumes SERVIR – designing the tools and polices to implement and manage the new system, and building the capacity and desire in each of the 2 000 public institutions, regions and municipalities to understand and use these tools. This will require a well-resourced, designed, co-ordinated and sustained effort from all involved – SERVIR, the Ministry of Economy and Finance (MEF), the PCM and its components (including the Decentralisation Secretariat, the Public Management Secretariat and the Centre for National Strategic Planning [CEPLAN], see Chapter 2), all politicians, and every organisation across Peru's civil service.

Implementation process

The implementation of the new Civil Service Law has two interrelated components. The first is an organisational re-development while the second requires civil servants to transition to the new regime. This is a particular strength of the process. OECD experience shows that HRM reforms are most effective when they are embedded in institutional reforms. The law has an implementation horizon of six years, which suggests completion by the year 2020.

Nonetheless, the transition to the new regime will likely take much longer as civil servants cannot be forced into the new regime. In other words, each individual civil servant needs to choose to transition from the old regime to the new one. Civil servants who refuse remain in their previous regime with all the job protections, rights and responsibilities of that regime. Furthermore, this transition is not automatic. Existing civil servants will need to apply to posts in the new regime and go through a competitive

process to be appointed. If they are not successful, they remain in their old post, under the old regime.[5] This implies the likelihood that some civil servants in the old regime will remain there until the end of their careers. This is a particular risk, given that employees in the old regime will likely not be given the same opportunities for training and development and career advancement. Nor will they be subject to performance management strategies.

The organisational transformation component of the reform is not voluntary. It requires every public organisation to make substantial improvements in its organisation and functioning. In the framework of the reform, public entities should transition to the new regime, through the following steps:

1. The creation of a transition commission made up of the general secretary of the entity, representatives from HR, planning and the administration office. This commission is to oversee the implementation process and develop a vision and mission for the new civil service regime within its own organisation and ensure that all are clear on the process to be followed and the road map.
2. A situational analysis of the current state of affairs in the organisation to map the current workforce, work processes, etc., as well as the identification of enhancement opportunities in the organisation of the entity and/or in processes, oriented to improving service to citizens.
3. After enhancement opportunities have been identified, the entity will start an internal improvement process, which can include the application of improvements (those that can be carried out in the short term), determining staffing, preparation of job post profiles, their appraisal, the preparation of the entity's job post table (JPT). This will likely result in a new way of organising itself (at the level of posts and even areas) or in the way of carrying out its processes (process enhancement), with the purpose of achieving greater efficacy in meeting goals and efficiency in the use of its resources (planning of the necessary human resources in order to provide quality services).
4. Once an organisation has gone through the above steps, it may begin the selection process for staff the positions within its new structure, under the new regime.

SERVIR is taking a phased approach, beginning primarily with larger entities at the national level. Currently192 entities have begun the transition process: 141 at the national level, 8 at the regional level and 43 local municipalities. At the time of the OECD mission in June 2015, approximately 40% were conducting their situational analysis, and a similar number were in the next phase, identifying opportunities for improvements and enhancements. The remaining 20% were actively implementing the reforms. The MEF and the Ministry of Justice are among those organisations that are leading the pack in this regard.

Role of SERVIR in the transition process

Almost all OECD countries have a central HRM unit like SERVIR which at the very least oversees and monitors the implementation of the civil service law. While the mandate and tasks of central HRM institutions vary, they are generally responsible for designing and overseeing core HRM policies, leaving a degree of implementation flexibility to line ministries and line managers.

While the steps described above to implement the organisational transformation are driven by the commission created in step 1, SERVIR monitors progress, supports entities to implement the tools they have designed, and continues to refine tools and methodologies for both the transition process and to manage employees under the new regime. SERVIR's current priorities include:

- designing new tools to improve, develop and institutionalise the HR function while simplifying it
- strengthening human resource offices in entities
- raising the awareness of citizens
- constant follow up of the civil service situation to improve and strengthen the framework of the reform's implementation.

The job profiles system is to be implemented by all organisations in step 3 above. This system was designed by SERVIR in consultation with key partners, including the Ministry of Economy and Finance as it is also provides the foundation for the new compensation system. It contains four levels of employees and includes a catalogue with around 400 positions based on functions, and includes educational requirements.

The development of the job scheme, as with all of the tools and policies developed by SERVIR, follows a common staged process. First, SERVIR conducts benchmarking and best practice analysis to understand local and international experience in the area it is working in. It then develops a technical proposal based on best practice and an analysis of suitability given local context. This is validated internally at SERVIR and then externally with key partners and stakeholders: the MEF, labour organisations and the PCM are generally engaged. The proposal is also published on the SERVIR website for three weeks, during which time anyone can read and provide comments. After consultation, the proposal is revised and presented for approval to the Board of SERVIR, made up of senior representatives from the MEF and the PCM, two representatives from civil society and the Executive Director of SERVIR.

Role of human resource offices in the implementation of the reform

Once the tool, policy or reform is designed and approved by the board, the focus shifts to training the HROs in entities to implement it. In relation to the implementation of the reform, the HROs play a key role that includes:

- Being a driver of the reform, from its participation in the Transition Commission, which heads the transition process of the entity into the new scheme.
- A high degree of responsibility in the execution of internal improvement and implementation steps that include: staffing, preparation of job profiles, their appraisal, the preparation of the JPT, and finally, carrying out public selection processes.
- After the transition, reform sustainability: as part of the reform, the HROs assume greater responsibilities because they are in charge of implementing the seven HR subsystems: planning HR policies, work organisation and its distribution, job management, performance management, compensation management, development and training management, management of human and social relationships. The great changes that will be generated during the transition will not be sustainable if HROs do not adequately implement these subsystems throughout time.

Thus, the role of HROs is fundamental as they support the reform's development, sustainability and, ultimately, its success. The reform also implies a greatly expanded strategic role for many of the HROs, which, under the previous regime, may have been limited to payroll and other primarily administrative tasks. For these reasons, SERVIR needs to prioritise capacity building of the HROs in each of the many public organisations. This can be done through a variety of channels, including a helpdesk which is available to provide technical assistance to the HROs in the context of the implementation of the reform, and the development of conferences and other events to train and provide opportunities for collective learning. SERVIR is also establishing an Observatory to monitor progress and detect areas in which to intervene. This will likely include some kind of progressive accreditation process for HROs to be designed by SERVIR based on the phased-in implementation process.

Reforms to build senior leadership capacity

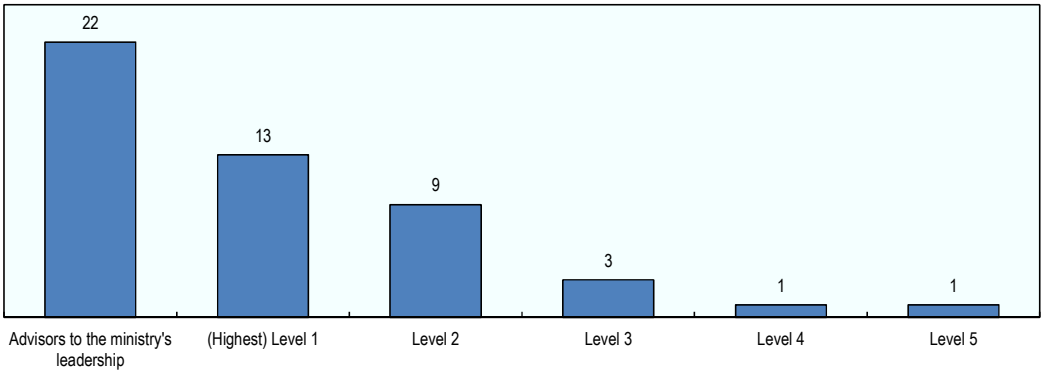
A particular area of focus of the new Civil Service Law and associated reforms is the capacity of the senior leaders of the civil service. Senior civil servants embody and transmit core public service values such as integrity, impartiality, transparency and merit. They set the example in terms of performance and probity, and are essential players in the development of future planning and strategic capacity. For these reasons, many OECD countries focus on this particular group, both in terms of individual development and in terms special management rules, processes and systems.

Peru faces particular administrative challenges in the area of workforce stability, whether in the national or subnational public administration, as churn of the senior leadership cadre appears to generate instability throughout the civil service: senior managers appear to change their teams and responsibilities at a rate that impedes long-term progress and reform continuity. While a controlled and structured mobility of senior leadership is a goal of many OECD countries, this is done within a structured development framework, and not at the will of politicians. OECD data confirm that in only 13 of 34 member countries is the top level of the civil service systematically replaced after an election. Below the second level of leadership, only three OECD countries see significant change. Comparative numbers are unavailable for Peru, but discussions with a range of interlocutors in national, regional and local governments suggest that the turnover of managers in the civil service is a fundamental challenge that goes below the top level leadership and whose impact is felt beyond that of the election cycle.

This is in part due to the fact that the large majority (more than 70% of those at the first and second management level below the minister) of Peru's senior managers are "positions of trust", appointed by the political level without a transparent merit-oriented process and without any guarantees of stability in their employment. This generates a culture of loyalty to the political level as opposed to a professionalised public management cadre working in the general public interest with the skills necessary to drive progress in Peru's public services. A SERVIR study on the state of public management in the country in 2008 identified the following issues:

- poor management capacity to perform the managerial function
- inadequate organisation, inclusion and administration of managers
- unappealing managerial function to attract and retain talent
- limited and poor assessment of managers
- unstable context linked to poor political-institutional support.

Figure 5.3. **Turnover of civil servants with a change in government, OECD countries, 2010**



Source: OECD (2010), 2010 OECD Survey on Strategic Human Resources Management in Central/Federal Governments.

The Public Managers Corps

Peru's Public Managers Corp (PMC) was created in 2008 as a first step to professionalise the management level of Peru's civil service and address some of the problems highlighted above. Managed by SERVIR, its purpose is to develop management skills and gradually professionalise the highest levels of the public administration by recruiting highly skilled professionals, selected by meritocratic and transparent processes to be appointed to managerial positions of institutions in the national, regional and local governments. The PMC has now existed for over seven years, during which time a management model in line with the national context has been developed, adjusted and validated. So far approximately 660 professional managers have completed SERVIR's selection and training process, although only 200 of them are assigned positions by SERVIR. The remaining 460 are eligible for designated public manager posts for up to three years, after which they lose their designation. This current over-supply of public managers results from various factors, including the lack of agreements between SERVIR and the various entities, insufficient budget and the fact that many of the selected managers do not want to work outside of Lima. Of the 660, the large majority came from inside the public administration, as most of the posts require some previous public management experience.

To become a public manager under the PMC, one must pass a complex selection process which is run centrally by SERVIR. The selection process is public and nationwide and open to professionals from the public and/or private sector. For this purpose, profiles of post types have been prepared that meet the requirements of the public entities, which have different hierarchical levels and come from different sectors and different government levels. At present, there are more than 60 profiles of post types (administration office manager, planning and budget manager, regional hospital director, etc.). The selection process of public managers consists of a recruitment stage through a computer platform to select applicants who meet minimum working experience requirements, have the academic education and technical managerial skills. Later, a mass assessment is carried out to measure the minimum technical knowledge skills required for the post, a psychological-technical test, followed by a competence interview. Applicants who pass the test are summoned for an introduction course that consists of a competence assessment according to the assessment centre methodology and an assessment of practical cases. Applicants who succeed in this last stage are summoned for an interview by the maximum authority of SERVIR (Board of Directors) for the final selection.

Once a PMC manager, SERVIR promotes training opportunities for them and their work teams. Additionally, those managers with the best performance evaluation results can gain access to special top management training programmes through the National School of Public Administration and other educational institutions. The first of these programmes was made available to 40 managers and lasted 5 months. For public managers in particularly difficult positions, special coaching programmes are also available. SERVIR also organises an annual conference for all those in the PMC where they can receive special training and exchange experiences over a two-day period.

Expansion under the new Civil Service Law

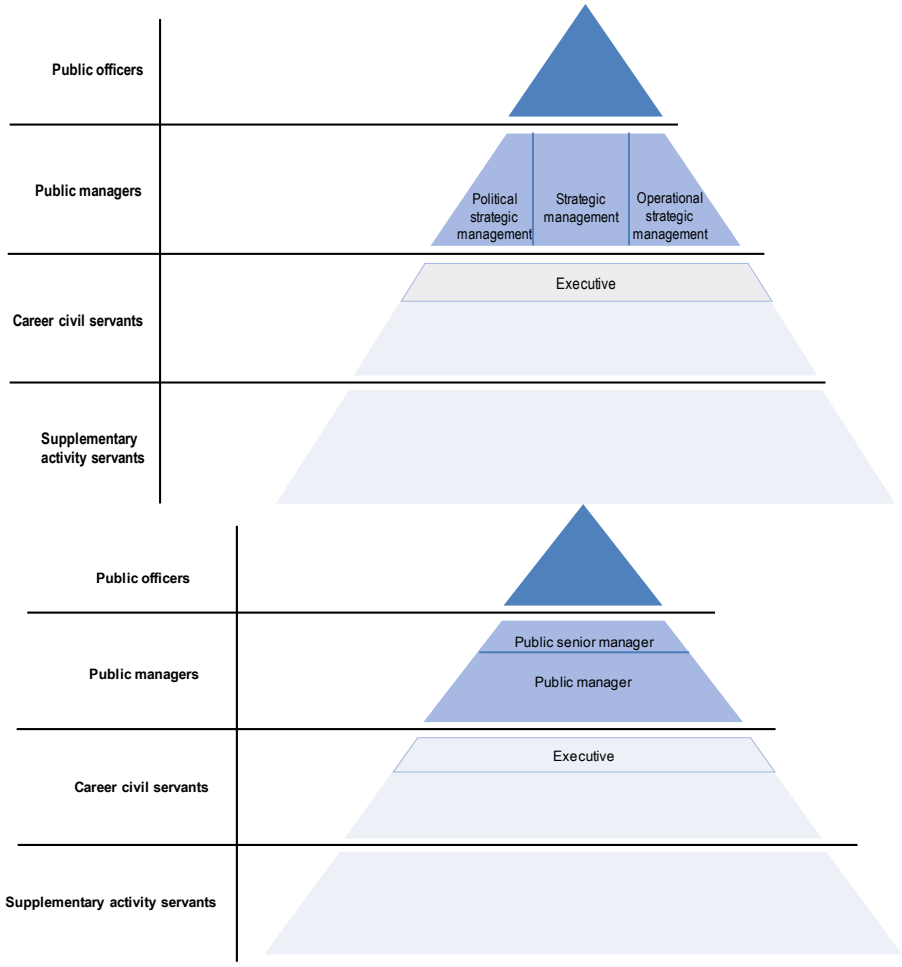
Under the new civil service regime, the management of the senior level will be greatly expanded beyond a small team of 660 to include the entire senior management cadre of over 5 000 people at national and regional levels. The new Civil Service Law, inspired by the experience of the PMC programme, defines public managers as the top three layers of all public organisations. The law imposes strict and rigorous selection processes, including evaluation of experience and education, psychological and competency based assessments, knowledge testing and a final interview. Once successful, managers are appointed to a position for three years, with the possibility of renewal twice for a total of nine years. Then the public manager needs to find a different position. Public managers are subject to annual performance evaluations based on the achievement of goals, and may be removed from their position for failure to achieve those goals. Notably, the law further limits the use of political appointments. Organisations may count no more than 20% of political appointees among their public managers, and these people must still meet the requirements of the predetermined position and are also subject to the same annual performance evaluations.

Three roles of public managers are envisaged:

1. Political strategic managers influence the development of public policies of national, regional and sectorial scope. Their work involves strategic vision and analysis of the political environment in order to achieve legitimacy and support and, in turn, obtain results to benefit citizens. The managers in this role are often involved in uncertain environments and are in direct contact with political officials of different agencies.
2. Strategic managers intervene in the formulation and implementation of strategies for their agencies. For this reason, there is a greater emphasis on strategic and operational management. They are in direct contact with public officers in their agencies.
3. Operational strategic managers deploy legal, financial, material and human resources to achieve specific results which contribute to the agency's strategic objectives. They require technical capacities and generally report to a higher level manager.

SERVIR will establish and govern the policies and processes related to the development of this senior management group. This includes developing a common framework for the management profile descriptions and providing psychological and professional assessments for selection. SERVIR will implement audit mechanisms to oversee the transparency and integrity of the selection processes conducted by individual institutions. SERVIR will also leverage experience with the PMC to develop a common competency profile for managers, to help guide the selection, development and assessment of public managers.

Figure 5.4. **Three levels of roles of public managers envisaged**



Source: SERVIR (2015a), "Marco Conceptual del Grupo de Directivos Públicos del Servicio Civil Peruano: Instrumento de trabajo para la discusión", Working document N° 1-2015, http://storage.servir.gob.pe/servicio-civil/documento_de_trabajo_nro_1_2015_servir.pdf.

Implementing the reform: Considerations and challenges

Peru's civil service reforms are an essential component of its broader governance modernisation agenda and signal an important commitment to the principles of good governance espoused by OECD countries. Once implemented, the new Civil Service Law will support governance reform in all areas by increasing the capacity and stability of the civil service, particularly at senior levels. However, implementing the law will be complex, not only because of the breadth of reforms the law includes, but also because of the scope of the law – which covers over 2 000 public entities at the national, regional and local levels. This will be a very significant challenge for SERVIR – and one that SERVIR cannot be expected to implement alone.

The good news is that the reforms embedded in the new Civil Service Law put Peru on a path that follows good practice in OECD countries. The themes of the reforms are common across OECD countries, which have built a great deal of experience through trial and error which can be leveraged to support Peru. The following section looks at some of the lessons learned and proposes a number of key considerations for SERVIR and the ministers which oversee it.

Box 5.1. **SERVIR's proposed senior management competency model**

- **Commitment to service**: The ability to act by listening to and understanding the internal or external user, valuing their needs as one's own and providing solutions or alternatives that solve their expectations through informed, timely and polite services.
- **Result-oriented**: A capacity to channel actions towards the achievement of institutional goals and objectives, securing quality standards and identifying improvement opportunities. It implies providing answers within required terms by optimally making use of the resources to the servants' disposal and considering the final impact on the citizen.
- **Teamwork**: Capacity of creating positive and reliable work relationships by sharing information, actively supporting and collaborating with others, providing co-ordinated support, integrating one's own efforts with the team's and other areas or agencies for the achievement of institutional objectives that benefit citizens.
- **Leadership**: The capacity to influence others based on values to guide their actions towards the achievement of objectives.
- **Articulation with the political environment**: The capacity of understanding the socio-political context of the country and the institution's impact, by participating in the decisions taken at the public policy level with awareness of their consequences on the specific needs of its citizens.
- **Strategic vision**: The capacity of perceiving future scenarios and to determine a long-term perspective in line with organisational objectives, in order to anticipate circumstances, avoid obstacles, estimate risks and plan actions.
- **Management capacity**: The ability to manage the administrative systems. It also involves the capacity to manage the use of resources to secure compliance with objectives.

Source: SERVIR.

Governance and co-ordination for implementation

The size and breadth of the civil service reforms will require a governance structure and approach to match. Currently, the head of SERVIR reports to the PCM on progress, and the PCM acts as a governance board for the oversight of the implementation process. The engagement of this group of ministers is essential to ensure the political visibility and sustained support that will be required to see the reforms through to the end, build capacity to sustain the reforms through the long term and ensure the new model functions as intended. However, a more elaborate governance structure may be required in order to share the responsibility of implementation and enable the buy in of key actors.

Experience in OECD countries suggests that the implementation of reforms of such a broad scope is best managed at various levels of activity, both horizontally and vertically. Engaging ministers at the top is essential, but the PCM may be engaged with too many other priorities to give these reforms the attention necessary. It may be advisable to concentrate accountability and responsibility for oversight and success of the reforms with a particular minister, or a subgroup of the PCM. Care will also need to be taken to ensure that regions and municipalities have a voice in whatever governance system is established.

Cross-ministerial co-ordination for implementation should not end at the ministerial level. In Ireland, a Civil Service Management Board has been established to oversee the implementation of the ambitious and far-reaching Civil Service Renewal Plan (Box 5.2). The board is made up of all secretaries general and heads of major offices and is chaired by the administrative head of the civil service. Three subgroups have been developed to drive progress under the themes of people, systems and governance. Through the use of subgroups and the assignment of specific responsibilities to individual secretaries general, Ireland's reform becomes the collective responsibility of the senior management cadre and not of one sole agency. For Peru's implementation process to succeed, SERVIR will need to think about a similar approach which engages senior managers as allies in the process, and assigns collective responsibility for success.

Box 5.2. **Implementing civil service reforms in Ireland**

After many civil service reform initiatives, Ireland has learned that there are a number of important elements required to deliver change: strong collective leadership, shared ownership, and sustained investment and commitment. It will establish strong governance and delivery mechanisms to manage the change programme effectively so that the ambitions of reform are underpinned by action. Delivering transformation at this level of ambition will not be easy, nor will it happen immediately. The Irish government will:

- Assign collective responsibility and accountability to the Civil Service Management Board and its members for implementing the Civil Service Renewal Plan. The Secretaries General of the Department of the Taoiseach and the Department of Public Expenditure and Reform will provide central support and leadership to enable this and will report progress to the Taoiseach and the Minister for Public Expenditure and Reform regularly.
- Allocate responsibility for the delivery of each action to a named secretary general, or group of secretaries general, with the remit to manage the implementation of changes across the civil service. Each secretary general will appoint a dedicated project manager to drive their action and this person will work centrally with all other project managers under the direction and co-ordination of a central Programme Management Office located in the Department of Public Expenditure and Reform.
- Co-ordinate and drive implementation through a central Programme Management Office which will have expertise in relevant areas and be staffed from a number of departments and external sources, as required. The office will be managed by the Public Service Reform Programme Director in the Department of Public Expenditure and Reform. This will facilitate an integrated approach to implementation that aligns the reforms set out in the Renewal Plan with the reform initiatives already underway in the civil service, in particular human resources (HR) and ICT reforms.
- Develop a strategic implementation plan for each thematic area to outline in practical terms how changes will be implemented and resourced. The plans will be prepared by the Programme Management Office working with the relevant secretaries general and their project managers, drawing on internal and external expertise to prioritise and sequence actions based on a robust assessment of feasibility, impact and cost; and outline the appropriate process to monitor and manage the risks, issues and challenges associated with large-scale transformation.

Source: Irish Government, Department of Public Expenditure and Reform (2014), *The Civil Service Renewal Plan A Vision and Three Year Action Plan for the Civil Service*: http://per.gov.ie/wp-content/uploads/The-Civil-Service-Renewal-Plan-October-2014.pdf.

Another key horizontal co-ordination mechanism can be developed at the working level by networking the HROs. As discussed above, HROs play an essential role in the implementation of this reform and will require specific and sustained capacity building in order to move their status from a mainly administrative body processing payroll and leave to one that plays a key role in building Peru's future civil service.

Box 5.3. **Human resources professionals network in Estonia**

The formation of human resource (HR) professionals' networks started in Estonia in the late 1990s after the enforcement of the Civil Service Act in 1996. The act required the introduction of several new HR tools in ministries and administrative agencies, e.g. carrying out evaluation and designing a training system to support it. This had to be done in an extremely decentralised environment.

To cope within such a decentralised and fragmented environment, the Government Office started to bring together people responsible for HR issues in different organisations. This gave them an opportunity to learn from other organisations participating in these meetings and also speakers invited to introduce their experiences from outside the civil service (private sector and/or other OECD countries). These events formed the basis for an increasingly institutionalised network of HR professionals. It helped to establish more stable lines of communications between them and created a culture of discussing joint issues together and supporting each other in solving them. This also paved the way for additional subject-specific informal networks to be established, around training, for example.

As the bottom-up initiated communities are based on voluntary co-operation, they do not necessarily include all relevant organisations. Therefore, more formalised methods of co-operation are also needed. The Ministry of Finance[1] chairs the roundtable of HR managers of ministries, which is their first point of contact for testing new ideas and receiving more practical feedback.

In addition to these networks, the Ministry of Finance uses other means for involving its stakeholders:

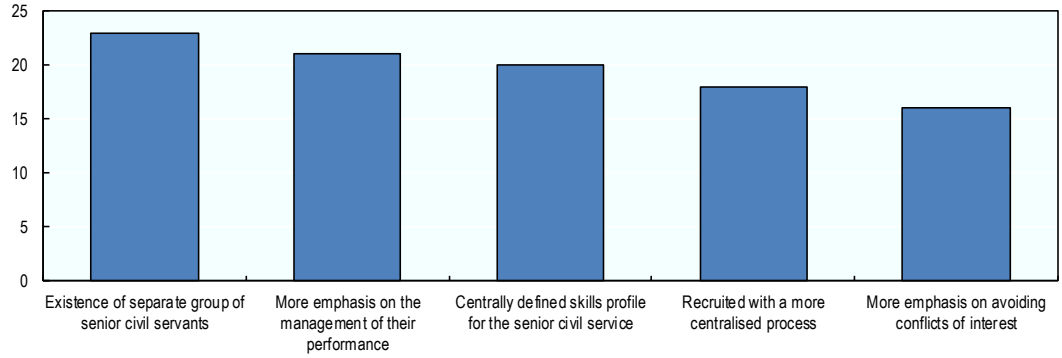
- bi-annual information seminars for HR professionals (0.5-1 day) – for informing them about the latest developments in civil service HR policy, introducing new initiatives (usually around 100 participants)
- annual co-operation seminars for HR managers (2 days, outside Tallinn) – for discussing strategic HR issues and introducing new trends in the area (up to 30 participants)
- mailing list of HR professionals – for disseminating information by e-mail
- learning and development activities for HR professionals – centrally funded by the Ministry of Finance for harmonising HR related knowledge and practices across the civil service
- civil service Facebook page – open to anyone interested in staying informed about the developments in the Estonian civil service.

The co-operation networks play a very important role in Estonia's highly fragmented and decentralised civil service system. Central co-ordination bodies have very limited power, so networking activities serve as an alternative to formal (i.e. legally mandated) tools and are often more effective, since they are more proactive in nature. This has been helpful for the implementation of reforms as those HR managers who carry out the changes have had a chance to give their feedback in earlier policy design stages. Networks are also essential for creating a common culture and value system among people working in the same area in Estonia's civil service.

Note: 1. In 2010, the co-ordination of the civil service was consolidated to the Ministry of Finance; the co-operation networks are now co-ordinated from there.

Source: Information received from the Government of Estonia.

Figure 5.5. **Most commonly identified features of separate management of senior leaders**



Source: OECD (2010), 2010 OECD Survey on Strategic Human Resources Management in Central/Federal Governments.

SERVIR is right to prioritise and invest in capacity building in this area, and should take measures to ensure that capacity is not only delivered from SERVIR to HROs, but is also shared horizontally among HROs. One significant forum to do this is the network of HROs established by SERVIR, which can provide a space for regular meetings and opportunities to discuss progress and share experience. This can be particularly relevant given that different organisations are at different stages of development, providing an opportunity for those in back to learn from the successes and mistakes made by those ahead in the process.

Toward a merit-based management cadre

SERVIR has built expertise in the management of the PMC and will extend this over a much wider breadth as the new Civil Service Law is implemented. This will involve a number of strategic decisions that will need to be taken regarding which responsibilities should be centralised in SERVIR and which to delegate to individual institutions. Many OECD countries manage their senior managers as a separate group, and experience has shown that a focus on the elements of recruitment, development and performance has benefited from a centralised process.

Recruitment of the senior civil service

The majority of OECD countries recruit and select senior civil servants with a more centralised process than the rest of their civil servants. Belgium and Chile provide useful examples. In Belgium, recruitment criteria are agreed between SELOR (the federal selection office) and the recruiting organisation. SELOR advertises the selection, receives and vets applications, conducts the different tests and examinations, and draws up a ranked list of applicants who have passed the selection process and are eligible for tenured public service. For senior managers, each selection process is overseen by a jury of seven people, which include representatives from SELOR, technical experts from a university, private sector HR and management experts, and public management peers. SELOR's main advantages are its professionalism and its independence from the recruiting organisations. By centralising the selection competency, SELOR is able to concentrate and develop into a modern recruitment agency using state-of-the art methods. In the Latin American region, Chile stands out as a leader in senior executive service recruitment (Box 5.4).

Box 5.4. **Senior civil service recruitment and selection in Chile: Sistema de Alta Dirección Pública**

In 2003, the Chilean government, with the agreement of all political actors (opposition political parties, non-governmental organisations, civil society), created the *Sistema de Alta Dirección Pública* (ADP), a central senior civil service system. The aim of the ADP was to establish a professional senior management. Following the reform, there are three distinct groups:

1. The most senior positions, which are filled by direct designation by the government (1 000 positions out of 2 million in central government).
2. The ADP, for which recruitment is based on public competition (1 000 positions in central government). There are two levels within the ADP: approximately 1% at the first hierarchical level (heads of service, directors general) and the remainder at the second hierarchical level (regional directors, heads of division).
3. Middle management positions (2 000 positions in central government) at the third hierarchical level, which form part of the career civil service.

The ADP system has been implemented gradually by recruiting by open competition whenever a post falls vacant and by expanding the system over time to additional groups. For example, it has been expended to include 3 600 municipal education directors and 2 800 new senior management posts in municipalities.

Most of the selection process for the ADP is contracted out to specialised recruitment agencies. The National Civil Service Directorate is responsible for the management of the ADP. However, the Senior Public Management Council is in charge of guaranteeing the transparency, confidentiality and absence of discrimination of the selection process. It is chaired by the director of the National Civil Service Directorate and has four members proposed by the President of Chile and approved by the Senate. The selection process, which takes about four months, begins with the publication of the vacancy in the media. A specialised enterprise commissioned by the Senior Public Management Council analyses the *curricula vitae* of the different candidates and prepares a shortlist for the council or a selection committee (under the council's supervision). Professional competence, integrity and probity are some of the criteria used in the selection process. Subsequently, the council or the committee selects the best candidates for interview and prepares a final shortlist for the competent authority for the final appointment.

The ADP system was based on international experience. In particular, the experience of OECD countries such as Australia and New Zealand strongly influenced the Chilean model. The system is considered one of the main achievements of the modernisation of Chile's public management. One effect has been a decline in the number of political appointees in the central government; they currently represent only 0.5% of the total public workforce. It is also argued that the presence of women in senior positions has increased under the system; they occupy 32% of positions, compared to 15% in the Chilean private sector.

Source: Weber, A. (2012), "Alta dirección pública".

The new Civil Service Law assigns the responsibility for running the selection process of senior managers to entities themselves, leaving SERVIR with some power to monitor for compliance. Given the political sensitivity of this matter and the high importance placed on this cadre as a model of merit and probity, centralising all selection processes for the top three levels of management may be advisable in the short/medium term; however, this would require a change in the law, which may not be feasible. Given the vast number of managers in the system and multitude of organisations impacted at all levels of government, it may be unsustainable to centralise recruitment over the long term. Therefore, under such a scenario, the hiring of mangers could begin with a centralised system at SERVIR while, in parallel, SERVIR would work with entities and

their HROs to build their capacity to run their own competitions. Once entities have achieved a certain threshold of capacity that meets criteria established by SERVIR, and have a proven track record in managing merit competitions at the career level over several years, SERVIR could certify them to begin their own recruitment processes and monitor closely for compliance.

However, for such a process to work, SERVIR will require a large capacity of its own to both run a very large number of competitions at the beginning and to simultaneously work with entities to build their own capacity for eventual delegation. Experience in some OECD countries has shown that when competitions are held up due to low capacity of the central selection institutions, entities appoint provisional people, undermining the meritocratic intent of the process. Such a situation could present a high risk in Peru and needs to be avoided by ensuring that SERVIR is well capacitated to play this dual role for senior civil servant capacity building.

Developing leaders

SERVIR's proposed competency model for the development of senior civil servants is another approach which is becoming increasingly standard across OECD countries. A well-designed competency framework provides a structure for management training and career progression. As SERVIR proposes three roles of senior leaders, the competency model can be used to identify the different expectations of each. Gaps between the current and desired competency level of leaders can then be identified, which can then result in a development plan for that leader as they wish to progress in their career and improve their own capacities. It can also help career civil servants who wish to accede to the management level to identify their own development needs.

For example, in the United States, the executive core qualifications serve as a guide for all leadership development programmes. For the individual federal manager or executive, the executive core qualifications represent the guidepost along the pathway to career and organisational success. The United Kingdom's senior civil service competency framework is used by senior managers as cues on how to do their own work and to identify leadership potential. SERVIR, working with the National School of Public Administration, has already begun a variety of development programmes. These will need to be expanded and reinforced as the competency model is extended to public managers beyond the core 660 of the PMC.

Assessing the performance of the senior leadership

Building a performance-oriented civil service in Peru will need to start at the top. A move toward a focus on performance management in any organisation requires strong management accountability, a shift of attitudes and focus of leaders, new leadership competencies and building ownership of the performance management system. This means the performance management of the managers themselves. Managers can benefit from a structured environment with clear objectives for programme results as well as for the management of people and financial resources, against which their performance is assessed. This not only improves managerial accountability and performance, it also sends a signal to staff that the senior echelons of the public service are serious about performance management.

Peru's move towards three-year cycles of position tenure create an excellent opportunity to implement a structured management accountability process based on the establishment of clear goals and objectives, periodic adjustment in consultation with

superiors, and evaluation. The continuation of the contract at the end of the three-year cycle should be based on performance; however, SERVIR and the highest levels of public management need to ensure that, in turn, public managers have what they need to be effective in the new regime. This means ensuring that each manager is clear as to what they are accountable for, and to whom. In turn, the managers need control of that which they are expected to achieve, and must be aware of the consequences of achieving or not, from the start. Finally, information needs to be available to judge whether or not the manager has performed to an acceptable standard.

Box 5.5. **Common framework for leadership development in Finland**

The management of senior civil servants in Finland is more centralised than the management of other groups of employees. The Finnish Ministry of Finance is responsible for the joint leadership and management policy as well as some centralised management development activities. The common framework for management development consists of four elements: offices and employment, recruitment, performance management, and joint development.

In Finland all senior civil service appointments are made for a fixed period of five years. The selection criteria for these posts have been made more explicit, and all candidates are assessed using uniform selection principles. Greater emphasis is placed on leadership and executive management skills. The Ministry of Finance has also introduced a model for professional recruitment procedures and practices of managers and experts.

Another aim of the central government management policy is to enhance performance-oriented management and the accountability of managers. When a person takes up a managerial position, his/her personal goals must be defined, taking into account the present state and future challenges of the operating unit in question. The management agreement procedure combines the development of managerial practices with performance management. The management agreement should be part of the operating unit's steering process and thus compatible with the performance agreement and the framework budget (spending limits) laid down for the unit.

Additionally, the Ministry of Finance organises management training and development for the senior civil service and the group of future senior civil servants below them.

One of these activities is the Forum for the Government Administration Management. The goal of the forum is to both strengthen the common goals of the central government and support senior civil servants in their leadership duties. The forum meets twice a year in one or half a day seminars and, furthermore, several times a year in one-hour informal meetings called "morning coffees". The purpose of the groups is to increase free and confidential interaction between senior managers and thus support their leadership duties and their personal development.

The Ministry of Finance has also organised a special programme called Future Leaders, which is meant for the potential future senior civil servants and those managers who have recently been assigned to senior civil service posts. The programme lasts three weeks and has five modules. The main themes of the programme are future anticipation and leadership. Participants are selected by the Ministry of Finance in co-operation with the ministries. Since 2008, more than 175 managers have participated in the course. According to the feedback, the main benefits for the participants are an increased understanding of the whole-of-government aspect and a possibility to create wider networks. The Ministry of Finance has set up a working group to evaluate the programme and to redesign joint management training organised by the ministry.

Source: Adapted from OECD (2015b), *Slovak Republic: Better Co-ordination for Better Policies, Services and Results*, http://dx.doi.org/10.1787/9789264247635-en.

Communicating and engaging to ensure a successful transition into the new regime

The Peruvian civil service transformation success will depend on the will of each individual civil servant to voluntarily apply to positions within the new civil service and

to thereby transition from their existing regime to the new regime under the new Civil Service Law. Discussions with various representatives and informants across the Peruvian civil service suggest that currently there exists a level of uncertainty among civil servants and concern for their future. Currently it appears that the unions in Peru have mounted their own communication campaign to persuade civil servants not to join the new regime.

Box 5.6. **The Canadian Management Accountability Framework (MAF): People management component**

Canada's Management Accountability Framework (MAF) was implemented in 2003 to hold heads of departments and agencies accountable for management performance, and to continuously improve management performance.

The MAF aims to:

- clarify management expectations of deputy heads and support ongoing dialogue on management priorities with their executive team and the Treasury Board Secretariat
- provide a comprehensive perspective on the state of management practices and challenges in the federal government
- identify government-wide trends and general issues in order to help deputy heads set priorities and resolve issues.

On an annual cycle, the Treasury Board Secretariat evaluates departmental performance on each of the ten aspects of the MAF framework, provides a score and identifies the priority areas for management improvement, which must be measurably improved by the agency over the next 12-month period. Departments electronically submit supporting evidence of their performance in 15 areas of management, and this evidence is evaluated by the Treasury Board Secretariat and a score is given on each element of the MAF. For areas of management that receive a low score, the department must prepare an improvement plan for implementation during the next year. MAF scores are posted on a public website by the Treasury Board Secretariat. A department head's performance on the MAF helps determine his or her performance pay for the year. Over the past thirteen years, since the MAF was introduced, departmental management scores have steadily improved, demonstrating the effectiveness of the MAF in improving public management.

The people management component of the MAF in 2012-13 included the following elements:

- employee engagement
- executive leadership
- diversity and employment
- employee learning
- performance and talent management
- workload and workforce planning effectiveness
- staffing
- official languages
- organisational context.

Sources: Treasury Board of Canada Secretariat (n.d.), www.tbs-sct.gc.ca; OECD (2014c), *Kazakhstan: Review of the Central Administration*, OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264224605-en.

Trade union resistance appears due to two primary factors. First, the unions express concerns regarding the selection process for positions in the new regime. They argue that it is unfair to expect current civil servants to re-compete for their positions, especially those from the frozen regime who may not perform well against recent younger graduates

who may be better prepared for testing processes. The second concern articulated relates to a perceived reduction in union strength as a result of the new Civil Service Law.

This implies the need for clear and consistent communication strategies that reach broadly across Peru's civil service from the top down to the lowest levels, which clearly frame the benefits of the new regime and are honest about any perceived limitations. Such communication strategies work best when the information comes from someone known and trusted to the civil servant. The unions have representatives embedded throughout the workforce. SERVIR, on the other hand, is a relatively small and new agency whose voice may be less trusted on the shop floor. SERVIR, therefore, needs to equip trusted partners throughout the administration with confidence and clear messages to deliver. This may include staff in HROs and managers of the organisations at all levels. It may also suggest an opportunity to engage with key civil servants as ambassadors for the new regime.

It also suggests an opportunity to include civil servants actively in the transition process. Embracing civil servants of all levels as partners in the design and in the implementation of the process can help to build ownership and support for the reforms. It may also help to improve communication material and fine tune implementation tools to the realities of each public entity (see the following section). The partnership approach to change in the Irish civil service presented in Box 5.7 provides a useful example of how social partners can be engaged in genuine co-creation of public sector reform when there is a future vision and sense of immediate urgency driving the reform process.

Particular care may need to be taken regarding the communication of the performance management system, as this came up often as a key concern among unions and civil servants more broadly. There appears to be a perception that during the 1990s, performance management processes were implemented with a view to downsizing the civil service, and were used not to accurately identify the lower performing civil servants but instead those that management wished to target for political or personal reasons. Since then, performance management has not been a typical component of civil servants' careers, and continues to promote concern and fear.

Performance management systems work best when they are not focused on punishing low performers, but instead on supporting all employees to perform at their best. There is a great deal of OECD knowledge accumulated on which performance approaches have worked and which have not, as well as the best approaches to implementing system improvements. One important lesson is that even the best systems will only work once the public managers who conduct performance assessments and use the performance tools are well trained and feel supported themselves. Another important lesson is that new systems are best implemented slowly, with direct awards and/or punishment implemented in later stages once employees and managers alike have gotten used to using the tools. This is particularly important in Peru's context where trust is low and concern high. Hence, SERVIR's gradual implementation of the system, beginning as a pilot in five entities in 2015 and growing to more in 2016, is a good approach.

Use iteration, experimentation and engagement to support innovation capacity in the civil service

The implementation of a new civil service in Peru is fundamentally a large-scale public sector innovation process. Peru is pursuing innovations in its civil service structure, as well as the tools and mechanisms that will be used to manage its civil servants. OECD countries have prioritised public sector innovation and the OECD has

begun collecting and analysing a wide range of innovations and their development, implementation and growth in its Observatory for Public Sector Innovation.[6]

Box 5.7. **Partnership approaches to change in the Irish civil service**

A broad variety of partnership approaches to change and modernisation has been used in Irish civil service organisations. Within an overall social partnership framework for the public service, organisations were encouraged to develop their own approaches, tailored to their individual needs and circumstances. For example, the Department of Social and Family Affairs, which has many local offices, adopted a multi-layered approach in order to involve staff at all levels of the organisation and local partnership committees were encouraged with the aim of embedding the process in all areas of the organisation.

The topics dealt with by partnership bodies varied between organisations, but they typically included HRM issues such as the implementation of performance management, training and organisation of work, as well as matters such as input into organisational strategy statements, internal communications and improvements in customer service. For example, a case study of partnership in the Office of the Revenue Commissioners found that the following topics were dealt with: the performance management and development system, internal customer standards, exceptional performance awards, working practices, training, IT developments, strategy statement, HRM policy, workplace charter, internal communications, shadow economy, and social partnership agreement issues.

Characteristics of effective partnership approaches in the Irish context included:

- partnership was visibly linked to the modernisation agenda and other organisational change processes
- important strategic and operational issues were considered and the relevant individuals and representatives were involved
- a strong emphasis was put on improving organisational performance
- the focus was on outcomes rather than processes or structures
- development of partnership at local level within organisations led to increased innovation
- visible commitment of managers and trade union representatives
- there were mechanisms to ensure input from other staff and managers
- use of joint problem-solving processes
- the rationale for decisions was explained to managers, staff and their representatives
- visible follow up by management and involvement of the partnership body in overseeing effective implementation.

Sources: National Centre for Partnership and Performance (2003), "Towards a new generation of partnership: Change and modernization in the civil service", http://files.nesc.ie/ncpp_archive/reports/NCPP_2003_tangop_full_report.pdf; National Centre for Partnership and Performance (2004), "Civil service modernisation using a partnership approach", http://files.nesc.ie/ncpp_archive/reports/NCPP_2004_csm_full_report.pdf.

Cases collected through the Observatory for Public Sector Innovation have highlighted a number of approaches that are increasingly being adopted in OECD countries to improve the innovation of new policies and processes. Typically, these involve small and fast production of new tools and/or services that are first tested in a small and controlled space and then adjusted and scaled in a controlled and phased approach. Typical users of the tools and services are often involved at the earliest stages

of the process as active partners, co-creating the tools or services. Some governments have established special units and teams who specialise in managing these processes, within "policy labs". Chile has established such a lab and is working with the OECD to explore opportunities to expand the impact of its lab throughout its civil service.

Box 5.8. **Public sector innovation labs**

Recent years have seen the emergence of public sector innovation labs in many OECD countries. This has occurred partly in response to the increased complexity of public policy issues that requires new approaches and new ways of working. These labs provide a place to help the public sector frame issues in new ways and redesign services by drawing on a broad range of perspectives. Labs help institutionalise co-creation by actively involving the users of public services at all stages of policy and service development and by using different disciplines, from design and ethnography to psychology and sociology. At their best, innovation labs can help the public sector to work in a new, and often challenging, way to yield results which accurately address service users' needs.

The term "laboratory" is borrowed from science and refers to the practice of experimenting – investigating a situation, exploring how it occurs, and testing solutions in a safe and controlled environment. On occasion, governments around the world have invested time, money and social capital in large-scale policies and programmes which have failed to achieve the expected results. Public sector labs can provide something of an antidote to this. They are dedicated spaces for investigating and experimenting through trial and error to understand better what works in practice.

Over the past decade public sector innovation labs have been popping up across the world. There is great diversity in the innovation lab model with labs at different levels of government and scope. For example, Mindlab in Denmark, the Central Innovation Hub in Canada and the Laboratorio de Gobierno in Chile all work at the central government level across multiple departments. The United States' Office of Personnel Management has its own lab, which began looking primarily at issues related to internal management, such as those SERVIR faces, and has since expanded to include a broader policy role.

Relative to other practices in the field of public governance, innovation labs are still in their infancy. This means that established understanding about the different models that exist globally, how they function and their impact is continually developing.

Source: Ongoing OECD research.

SERVIR's approach to policy and tool development has begun to incorporate some of the principles of public sector innovation and innovation labs. The consultation mechanisms and design process includes early consultation with key strategic partners such as the Ministry of Economy and Finance and the Public Governance Secretariat of the PCM, as well as an opportunity for public comment through their website. As SERVIR moves from policy development to the development of tools that will be used by entities and HROs to manage the civil service, it may wish to explore options to engage a broader range of participants in the process, particularly those who will have to use the products and tools in their everyday work.

This could include, for example, using a few HROs to test prototype models of tools and to provide feedback early and often to refine the tool in multiple stages as they expand to more and more entities. There may also be opportunities to engage the ambassadors' network and/or union representatives in such experiments, giving them an opportunity to actively contribute to the building of a new civil service in Peru. This kind

of iterative and flexible design approach will become even more important as the tools and processes are adapted for municipalities and regions, many of which operate in very different circumstances from those located in Lima.

Implementing the reforms in the context of decentralisation and multi-level governance

Peru's decentralisation process adds a layer of complexity to the civil service reforms, which impact the regional and local levels. As Peru focuses on building the capacity of the regions to take on more responsibilities for service delivery, so too must they concentrate on the capacity of senior management to manage more complex policies and programmes. This implies a great need to develop a professional and stable public management cadre in the regions and municipalities. This means emphasising merit-based recruitment, investments in skills development and competitive salaries to attract qualified people. In short, the successful implementation of the SERVIR reforms in the regions will be fundamental to the success of the decentralisation programme.

However, the regions also face particular challenges. Discussions with regions and municipalities as part of the OECD mission brought up a number of issues. First, it appears that the pay scale for all civil servants and local and regional levels are lower than those in Lima. While this may reflect some degree of living expense differences, it was suggested that wages in the regions are not high enough to attract and retain the best people, nor to invest in their development. It also appears that unions have a strong voice in the regions and are advising municipal governments and regional administrations to resist the civil service reforms. Furthermore, data on public employees at the municipal level are lacking. SERVIR has developed a plan to begin collecting them.

This suggests, first and foremost, the need for SERVIR to expand outreach to the regions and work more closely with administrations outside Lima. It is understandable and advisable that SERVIR would begin with the large institutions in Lima, build some success and use this to convince regions of the value of the reforms; however, there may also be an opportunity to begin a more thorough engagement process.

SERVIR has started working on skills development in the regions to identify the training and capacity-building needs in the regions (*diagnósticos de conocimientos* in Spanish). In this context, SERVIR and the Decentralisation and Public Management Secretariats will have to play a key role not only in supporting capacity building for recruitment procedures, but also training of subnational public employees. SERVIR is also developing specific training through the National Public Administration School and by strengthening HROs (SERVIR, 2014). At the same time, the MEF is providing specific training and capacity building on the ground to support local governments in the elaboration of budgetary planning and measurement (Ministry of Finance and Economy, 2013). This is also an illustration of the strong need for a robust, competent and well-prepared civil service in regional and local governments (see Chapter 4).

At the regional level, SERVIR may wish to build on its activity in the regions and invite key representatives from each region to a conference in one of the regions to host a dialog and give regions an opportunity to voice their concerns and learn from each other's experience. Given that a small number of regions have begun the process of transition, these entities may be able to speak of their early experience and guide development in those regions that have not yet begun the transition.

At the municipal level, it will be important to engage key representatives early and use their input to carefully review the processes and adjust them for local use. Bringing municipal governments into this process and empowering them to provide input into the design of their tools will likely increase their confidence in the reforms. SERVIR should also work with the Decentralisation Secretariat in the PCM to align activities and co-ordinate implementation. This may even involve the establishment of regional SERVIR offices, or hubs, which can help to support and monitor implementation in the regions.

Sustaining reforms, monitoring progress and evaluating success

A key risk of the current reform initiative in Peru is its medium-term sustainability. Currently there is a lot of good energy being invested in designing and communicating the reform; however, the true test of the implementation will be in 2020 at the end of its intended implementation phase. Many things can happen in the next four or five years in Peru, including a change in government, which may require a refocusing of aspects of the implementation to ensure alignment with the incoming governments' strategic priorities.

Beyond the political risk, longer term implementation timelines can result in the loss of momentum as civil servants suffer from "reform fatigue". Additionally, with the above-noted churn in management positions, another risk is that key partners are moved around too quickly to drive effective change. One of the biggest problems that the reform aims to address may in itself be one of the biggest risks to achieving the reform.

One of the main tools used by OECD countries to sustain reforms is evaluation and reporting. This can be done both internally and externally. Internally, SERVIR should develop indicators to monitor implementation progress in ministries and agencies in a transparent way. Regular progress reports on implementation should be used to highlight problem areas, identify blockages and suggest solutions. Making this information open can help benchmark agencies' progress. This can create a soft incentive to motivate laggards and reward trail blazers. The Dominican Republic has developed an online tool to monitor its ambitious civil service reforms. A 2015 OECD review of these reforms recommended further developing this tool to incentivise a long-term commitment to the reforms (OECD, 2015c). A similar approach could be useful in Peru (Box 5.9).

External evaluations can complement internal monitoring. In Sweden, for example, the parliament can establish commissions to evaluate and report on aspects of public sector reforms, while in Canada and the United States evaluation requirements are included in legislation on civil service reform (Wollmann, 2003). In a number of countries such as Canada, the Netherlands, Sweden and the United States, among others, audit bodies have adopted an evaluation function. Public reporting of the results of evaluations is a way of keeping the focus on reforms.

The Canadian approach is particularly comprehensive and may contain some elements that Peru could consider adapting. Public service legislation requires a review every five years to ensure that the legislation has been properly implemented. These reviews enable the Canadian parliament to assess the impact of the legislation and, if necessary, to make amendments or improvements. In addition, the Auditor General of Canada is required to report to parliament every five years to determine whether the central HRM bodies and selected line departments and agencies have implemented the requirements of the 2003 Public Service Modernisation Act. The central Canadian HRM bodies each make an annual report to parliament on their HRM responsibilities, including implementation of the Public Service Modernisation Act. Finally, the Privy Council

Box 5.9. **Dominican Public Administration Monitoring System**

The Dominican Republic is undertaking an ambitious civil service reform to build and reinforce a meritocratic civil service as a foundation for an innovative public sector, which was the focus of an OECD review in 2012. It has developed an online tool, the Public Administration Monitoring System (Sistema de Monitoreo de la Administración Pública, SISMAP), which can be used to monitor and evaluate on an ongoing basis the application of the public service law in public institutions. SISMAP uses criteria and indicators from the Barometer on Public Service in Central America and the Dominican Republic (developed by the Inter-American Development Bank). Institutions are assessed on a quarterly basis in a transparent, public manner on each indicator, and their level of compliance is signalled by a dashboard system of green, orange and red. The situation across all participating institutions as well as the situation in individual institutions is published online, along with supporting evidence of implementation.

SISMAP enables citizens to access 34 indicators of public administration, including matters such as quality, legality, merit-based recruitment and performance management, among others, and includes indicators in the following areas:

- human resources planning
- work organisation
- management of staffing
- performance management
- compensation management
- development of the career system
- management of employee relations
- organisation of the HRM function
- quality management.

Source: Ministry of Public Administration (n.d.), Dominican Ministry of Public Administration website, www.map.gob.do.

Office (the secretariat to the Cabinet, advisor to the Canadian Prime Minister and responsible for public service leadership) submits an annual report to the Prime Minister on the state of the public service. Linked to this report is the work of the Prime Minister's Advisory Committee on the Public Service (Box 5.10). Following the above example (Box 5.9), Peru should consider regular reporting to the country's leadership on the progress of the reforms in a public and open way, to maintain the visibility of the implementation process, and sustain political and organisational momentum for reform implementation.

Looking forward: Civil service reform beyond the current implementation process

The implementation of the new Civil Service Law will do much to put civil service management on a solid foundation of merit and professionalism. OECD countries use merit and professionalism as a base for more strategic orientations to civil service management, to ensure that the right staff with the right skills is working in the right places at the right times, to drive efficient and effective service delivery. Strategic

workforce planning is an essential component of high-performing public administrations. It is indispensable if the government is to maintain a well-structured and representative workforce of appropriate size, which is able to meet the changing needs of citizens and business in a cost-efficient manner. Good workforce planning requires high-quality information and discussion that are linked to whole-of-government priorities, as well as organisational strategies and efficiency concerns, and accountability arrangements that support workforce decisions. SERVIR's role after the 2020 implementation process may transform somewhat to include oversight of the merit principle while simultaneously developing workforce planning instruments that enable a more effective whole-of-government management of Peru's civil service.

Box 5.10. **Canada: Reporting progress on the public service renewal**

The Prime Minister's Advisory Committee on the Public Service, which is made up of experienced independent experts, makes recommendations for areas related to public service renewal in Canada, and overall progress is reported by the Clerk of the Privy Council in annual reports to the Prime Minister. The two reports are very closely linked. The Advisory Committee's report is structured around four broad areas for renewal that have been identified:

1. **Planning:** planning provides a clear understanding of what skills and knowledge are needed to meet departments' business objectives now and in the future. It considers that business planning and human resource planning must go hand in hand. Without this, recruitment and employee development will be largely ad hoc and short term.
2. **Recruitment:** recruiting the best possible talent to the public service is indispensable to a long-term capacity to serve Canadians with excellence. Recruitment focuses on replacing retirees and responding to increasing demands in areas like security and health. The approach is direct hiring by departments, especially of recent post-secondary graduates, into indeterminate positions.
3. **Employee development**: the development of public servants as leaders, managers, professionals and empowered employees is central to a high-performance institution. Such development occurs in the context of careful attention to assessing performance and managing talent.
4. **Enabling infrastructure**: correcting the deficiencies of tools and systems requires improving the governance of HRM, simplifying reporting and ensuring that the basics in areas like staffing and information systems work better. The committee's report sets out the specific commitments agreed on the previous year following consultation with the deputy minister community (heads of ministries), and the progress and results for each commitment.

Source: Privy Council Office (n.d.), www.pco-bcp.gc.ca/index.asp?lang=eng.

One important foundation to the development of a strategic approach to HRM is workforce data. The creation of standardised posts and positions as part of the reforms discussed above will place Peru in a good position to establish an HR information system with standardised and comparable data definitions across ministries and agencies. This will greatly enable improved workforce planning as well as better transparency across civil service management. Such an information system could be developed in a modular fashion, beginning with an accurate counting of the number, level and position type of each employee in each organisation. Once the basics have been solidly established, workforce data can go beyond counting the number of employees in a given organisation to support organisations to plan, support and develop workforce capacity. Including

factors such as level of education, skills and competencies supports organisations in aligning particular capacities with the right priorities. It is also important to consider factors that impact cost, such as age and rank, and years of service. These factors also ensure that planning can strike a balance between young and more experienced staff, and help for succession and renewal planning.

Another element that can greatly enhance the strategic management of HR in Peru is the development of competency management, which is a mid-term priority for SERVIR. Competency management and the use of common job profiles are tools which advance the strategic orientation and integration of key HRM areas including workforce planning, recruitment and selection, mobility, and training and development, so as to build human capital in the public service. Competency frameworks help organisations to identify competency gaps and strategies to fill them. Together with competency management, job profiling reflects the changing nature of organisations and work. Traditional job descriptions, which tended to describe jobs in terms of a finite set of tasks to be done, have come to be regarded as a source of rigidity. Job profiling focuses instead on the outputs of results and on the profile of the person needed to do the job. Many organisations use competencies as part of the job profile, as a way of defining and measuring the skills, abilities and behaviours considered necessary for the job.

Adopting a competency management framework could help to reinforce the principle of merit in recruitment and selection arrangements. The idea is not to replace hard credentials with behavioural competencies, but to use education and skills credentials to set minimum standards and then use competency testing to supplement this assessment for a more fine-tuned selection process. This requires the incorporation of new tools into the selection process, such as experience-based interviewing, behaviour simulations, assessment centres and the validation of transferable competencies that may be acquired through experience in other job settings. Competency management is already being proposed for the recruitment and selection of public managers, which is an excellent opportunity to build skills and knowledge on this modern form of workforce management before expanding it to a broader group in later phases.

OECD countries are also looking at developing workforce management approaches which aim to provide public servants with the abilities, motivation and opportunity to contribute to innovation. One approach is to align management tools to improve employee engagement, which emphasises “how we create the conditions in which employees offer more of their capability and potential” (Macleod, n.d.). Engaged employees are those that direct their behaviour towards achieving the goals of an organisation as effectively and efficiently as possible. They involve themselves and their ideas in their work, and feel supported to generate new ideas and contribute to innovation and overall workplace improvement.

Recent OECD work on employee engagement and HRM tools to support more public sector innovation has highlighted a range of practices, including the use of employee surveys to measure engagement and better assess the effectiveness of management interventions and HRM policies. Other tools include the development and maintenance of networks to promote learning across organisations. Awards processes are used to collect successful innovative practices and share them across the civil service. Some of these are done with a view to encouraging and rewarding successful collaborations across organisations. Mobility and diversity programmes also contribute by promoting a more inclusive workforce with diverse views of day-to-day work activities. These are supported by increasingly integrated HRM policies and frameworks that work to ensure

that each individual staff member is supported to contribute their best at various phases of life and throughout the development of their own unique career paths. Each of these areas contribute, in their own way, to a more engaged workforce where employees are given the ability, motivation and opportunity to contribute to innovation, thereby improving services for citizens.

Recommendations

This chapter has shown that the steps currently taken by SERVIR and the government of Peru are the right ones to put Peru on a path towards a stable, professional and effective civil service, which is a prerequisite for, and a strategic enabler of, better public management in Peru. The big challenge Peru will face in the coming years will be the implementation of the reform in a way that ensures consistency and application while taking into account the need for flexibility, particularly at the subnational levels of government. This is no easy task, and will test the country's ability to sustain a reform through to its full implementation.

A comparison of Peru's current reform initiatives with OECD experience highlights the following recommendations to build a stable and professional civil service in Peru:

1. Ensure political support for the implementation of the new Civil Service Law

- Following the 2016 presidential and legislative elections, it is important that the incoming government understand the deep value that these reforms give to the country and sustain them with all their force.
  - This implies recognising publicly the importance of continuing the reforms, resourcing SERVIR to adequately design, support and monitor the implementation process, and ensure power to monitor progress and enforce compliance with the new legislation and regulations.

2. Design a governance structure to implement the reforms

- An ideal governance structure should concentrate accountability and responsibility for oversight and success of the reforms with a particular minister.
  - In this connection, SERVIR could fall within the remit of the Vice-Minister of Strategy and Modernisation, a position that Chapter 2 recommends be created in the PCM to cluster PCM entities responsible for national strategy-setting, including CEPLAN, the Public Management Secretariat and the Decentralisation Secretariat.
  - Of course, SERVIR's institutional autonomy would need to be preserved under this reform. The civil service reform agenda should be mainstreamed within the government's main national strategic development planning and be fully reflected in the co-ordination efforts between CEPLAN, the Public Management Secretariat, the Decentralisation Secretariat and the Ministry of Economy and Finance so that the reform agenda is funded properly and its impact is fully assessed as part of integrated national strategy and budget performance monitoring for results at all levels of the public administration, including whether improvements to civil service capacity, professionalism, merit and competence at the subnational level are, in fact, leading to better service design and delivery that improve outcomes for citizens and businesses.

- SERVIR should be supported by a management board to engage senior managers as allies in the process, and assign collective responsibility for successful implementation. A close relationship will need to be maintained between SERVIR and the MEF to oversee effective resource allocation to implementation of the law. At the HRO level, networks can help to support and sustain implementation.

3. Continue to pay special attention to the development and management of senior managers

- This could include special arrangements for their more centralised recruitment and selection, that could be located within SERVIR as the system is initially implemented.
- In parallel, SERVIR should work with entities and their HROs to build their capacity to run their own merit competitions. Once entities have achieved a certain threshold of capacity that meets criteria established by SERVIR, and have a proven track record in managing merit competitions at the career level, SERVIR should certify them to begin their own recruitment processes and monitor closely for compliance.
- This could be supported by reinforcing the senior managers competency framework as a management tool, linking it to development and performance management. Performance indicators could be embedded within the three-year contract positions for senior managers to stress performance orientation and accountability.
- SERVIR could play a key role in the performance assessment process of senior managers so as to ensure meritocracy and limit the politicisation of non-political appointees.

4. Communicate often and build support networks

- The ultimate success of the reform will depend on each civil servant deciding that it is in their own best interest to join the new civil service regime. This means ultimately that civil servants must see SERVIR and the reform it represents as a positive entity deserving of their trust.
    - Clear and honest information based on civil service values and public impact need to be made available, and networks of supporters identified for their dissemination.
    - Likewise, communications outward to the general public are essential to show the progress of the reform, to ensure sustained support and public pressure for the reforms, and to help improve the image of the state and its civil servants in the eyes of the public.

5. Reinforce the need for a performance-oriented civil service

- Reinforce the role of performance assessments in achieving this goal. The new performance management regime needs to be carefully designed with a high level of transparency to promote effectiveness and confidence.
    - The new system could be implemented in a phased approach, with awards and sanctions implemented in later stages once employees and managers alike have gotten used to using the tools.

  - Successful implementation will also require a significant investment in the training of all public managers who conduct performance assessments and use the performance tools. This can help to ensure an even and consistent implementation, and effective use of the tools.

6. Design tools and processes for effective monitoring and evaluation

- These could include internal monitoring done by SERVIR with clear and transparent indicators that are collected and shared publicly. This can help to sustain momentum for the reform over the medium term. Indicators should be collected and updated on a regular basis (e.g. quarterly) and could be used to convene the network of HROs to discuss progress.
- This could be complemented by an external assessment of the legislation's implementation. An annual report to the parliament on the implementation process could help to ensure that the reform maintains its political visibility while also applying pressure to show progress and results.
- A larger review at the end of the implementation process in 2020 should also consider next steps in HRM reform for Peru's civil service. These processes need to be carefully co-ordinated with MEF and the Director General of National Budget should participate in the evaluation and review processes.

7. Use performance assessment information to adjust policies, processes and tools regularly

Build capacity and skills for iterative and flexible design approaches

- Emphasise learning by doing, adjusting on the fly.
  - These innovation methods could help to test and prototype tools, such as the new performance management systems, on small groups before expanding to the wider civil service.
  - This could also provide a useful opportunity to engage reform supporters and reform sceptics (e.g. union representatives) early in the design process, giving them an opportunity to actively contribute to the building of a new civil service in Peru.
  - SERVIR could also thoroughly evaluate the experience of the first group of entities to undergo the transformation and use this information to revisit the process, tools and timelines to improve the chances of reform success.

Ensure the relevance and applicability of reforms at the local level

- The challenges of implementing the reforms in regions and municipalities stand to increase significantly due to geographical distance, mistrust in some regions of the central government, and potentially greater use of informal employment practices in some regions and municipalities. There is indication that SERVIR's communications strategies have not reached the local level to the same extent as they have ministries in Lima, and this may present a challenge to ensure that actors at this level are aware of the benefits of the reform and are willing to participate.

- Consider specific strategies to monitor implementation and impact. A specific implementation, monitoring and communications strategy for these areas will be required, which emphasises SERVIR's willingness to adapt aspects of the reform for small (20 employees and less) governments at local levels (as is provided for in the law).
- Engage key representatives from local and regional levels early and using their input to carefully review the processes and adjust them for local use can help to increase buy-in and trust. By bringing municipal governments into this process and empowering them to input into the design of their tools, their confidence in the reforms will likely grow.
- It would be advisable to establish regional offices of SERVIR, and look at developing regional networks to support implementation and monitor progress.

Notes

1. Legislative Decree No. 276, Law on Rules Governing Public Office Careers and Remuneration in the Public Sector, published in the official gazette *El Peruano* on 24 March 1984.
2. Legislative Decree No. 728, Law on Employment Promotion.
3. Legislative Decree No. 1 057, Legislation regulating special administrative contracting services, published in the official gazette *El Peruano* on 28 June 2008.
4. Note that due to a recent ruling by the Constitutional Court, collective bargaining will be introduced by December 2016 and SERVIR is tasked with defining a model.
5. Note the all CAS employees will be required to transition to the new regime as CAS has no protections and will cease to exist.
6. www.oecd.org/governance/observatory-public-sector-innovation.

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Chapter 6.

Integrating digital government into public sector modernisation in Peru

This chapter assesses the government of Peru's strategic approach to implementing digital government in the public administration. It examines the recently crafted strategic vision for information society development: the Peruvian Digital Agenda 2.0 and its implementation plans. It recognises Peru's significant progress with new legal and regulatory frameworks as well as the digital signature, electronic certificates and data protection, among others; however, the chapter stresses that further progress is needed. It offers advice to the government on how to improve digital government outcomes taking into account the OECD instrument on digital government strategies and international good practices.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Introduction

This chapter assesses the government of Peru's strategic approach to implementing digital government in the public administration. It assesses the nature and scope of the government's digital government strategy "Information Society Development: The Peruvian Digital Agenda 2.0" and its implementation plans, and benchmarks them against the principles in the OECD instrument on digital government strategies as well as against international practice in this area. In conclusion, the chapter offers advice to the government on how to improve digital government outcomes.

Setting digital government at the heart of public sector reform

The Peruvian government has crafted a shared strategic vision entitled "Information Society Development: The Peruvian Digital Agenda 2.0",[1] which was adopted in 2011. The intention to establish a digital agenda has existed for some time in Peru,[2] envisaging also the need for stakeholder involvement during the design process.

- The importance of e-government was recognised by the Peruvian government relatively early, with the adoption of a National Strategy for Electronic Government[3] in 2006.
- The current strategic plan in this area is the National Policy on e-Government[4] covering the period 2013-17 elaborated by the National Office of Electronic Government and Information Technology (ONGEI-PCM) and approved by Supreme Decree No. 081-2013-PCM.
- These main objectives demonstrate a commitment to the development of a knowledge society in Peru which will benefit from e-government through improved management, inclusion and integrity within the public sector, and by bringing information and services closer to citizens.
- At the same time, a more recent National Strategy for Electronic Government is under preparation by the ONGEI to meet expectations to deliver high-impact ICT projects across levels of government.
- In line with this vision which recognises the role e-government can play in public sector modernisation and competitiveness, the National Strategy on Public Administration Modernisation, the National Administrative Simplification Plan (2013-16; see Chapter 2) and the Competitiveness Agenda[5] (2014-18) all recognise the core value of e-government to achieve their stated objectives.

The general approach of the government is to foster digital transformation primarily through legal instruments and technology deployment. Significant progress has been made in establishing the necessary legal and regulatory framework to implement the government's action plan: indeed this review deems this framework to compare favourably with international practices across OECD countries, in particular in such areas as digital signature and electronic certificates,[6] data protection,[7] transparency and interoperability.[8] Yet, the consequence of adopting a rule-making, legalistic and technical approach to the development of digital government may be hindering the achievement of more strategic, integrated outcomes as the government pursues its modernisation efforts in this area.

The government's responses to the questionnaires carried out for this review – and the information provided over the course of interviews during the fact-finding mission – point to the assessment that the government mainly positions digital government from a technological perspective and considers its development primarily as an ICT issue, limiting opportunities for adopting a broader conceptualisation of digital government.

Pursuing its strategy framed by this broader approach would imply a generic shift from e-government to digital government.

The OECD provides a definition for digital government (Box 6.1), replacing the vision of e-government. The fact that the Peruvian government is conceiving and deploying ICT within a rule-making, legalistic and a rather technological perspective could be foreshadowing a potential shortcoming in Peru: the current approach may be underestimating the potential benefits that could be derived from the digitalisation of public sector reform in the current policy practice. Thus, a strategic digital government policy and governance framework consistent with the OECD definition is needed, coupled with the revision of the strategic approach to ICT use in the public sector in order to generate clear advantages and great public value throughout the entire digital government ecosystem.

Box 6.1. **OECD definition of digital government**

"Digital government: as the use of digital technologies, as an integrated part of governments' modernisation strategies, to create public value. It relies on a digital government ecosystem comprised of government actors, non-governmental organisations, businesses, citizens' associations and individuals which supports the production of and access to data, services and content through interactions within the government."

Source: OECD (2014a), *OECD Recommendation of the Council on Digital Government Strategies*, www.oecd.org/gov/digital-government/recommendation-on-digital-government-strategies.htm.

The Peruvian public sector modernisation strategies[9] refer to both e-government and open government. Nevertheless, they are not embracing a strategic view of digital government as instrumental to more open, innovative and participatory public sectors as in line with the *OECD Recommendation of the Council on Digital Government Strategies*. Additionally, regional, local and sector-based strategies seem to lack a focus on digital policies as a means to deliver on their vision.

The OECD Recommendation (OECD, 2014a) refers to a need to "integrate" the digital government strategy in overall public administration reforms as well as "to identify the complementarity, alignment and mutual reinforcement between the digital government strategy and other relevant sector strategies". As a matter of fact, several OECD countries have shifted gradually to a more holistic approach when it comes to the integration of digital government into their modernisation policies. For example:

- The Hungarian government has adopted a public sector modernisation strategy where digital government has been clearly positioned at the core of the reform agenda. The Hungarian Public Service Development Strategy (Box 6.2), which is the equivalent to Peru's public sector modernisation strategy, builds on digitalisation both in terms of its objectives and targets.
- Spain's public sector reform agenda set by the Commission on the Reform of the Spanish Public Administration recognises the value of ICT as a necessary tool to advance the reform of the administration.
- Similarly, trends in non-OECD countries also point to the adoption of strategies that establish a stronger link between good governance and ICT policy. The Colombian government is integrating digital government into a national ICT plan (Box 6.3) and explicitly refers to the leading role the public sector can play in the digital

transformation efforts. Colombia's plan represents a political, multi-annual financial commitment aimed at creating a fully digital ecosystem across the public sector.

Box 6.2. **The Hungarian Public Service Development Strategy 2014-2020: Embracing digitisation and setting targets**

The latest Hungarian Public Service Development Strategy 2014-2020[1] covers objectives to build up a more effective, competitive and trusted public administration.

There are at least four dimensions that the strategy will act upon:

1. Efficiency and effectiveness of public service delivery, which lies at the heart of the strategy and is facilitated through internal process revision (e.g. administrative simplification and deregulation) accompanied by major actions on quality assurance. These both refer to more cost-efficient management of internal resources and on the focus on delivering better value for money to the customers: better quality at lower costs for all parties.
2. Competitiveness is treated in a broader sense and refers to both the optimal internal operation of the public administration and the high quality of services. Competitiveness is seen as being influenced by bureaucracy and government's capacity to offer business-favourable environments.
3. Building trust through a customer-focused approach is at the centre of the strategy. It refers to a commitment of the government to develop a "service provider and people-oriented public sector".
4. Bringing public services close to customers through multichannel service delivery and digital solutions available 24 hours a day, 7 days a week.

The strategy builds on a digital government concept and sets ambitious targets in cutting administration fees for customers and sets up control mechanisms for better decision making.

Source: OECD (forthcoming), *Hungary: Digital Building Blocks of a Modern Public Administration in Hungary*.

Box 6.3. **Colombian National ICT Plan with a multi-year budget**

In 2008, Colombia launched the "National ICT Plan 2008-2019" (Plan Nacional de Tecnologías de la Información y las Comunicaciones 2008-2019), outlining a vision and medium-term directions for government-wide use of ICTs. By the end of the period, the plan's aim is to have all Colombians connected, using ICTs to create an inclusive and competitive society (Ministry of Communications, 2008). The current National Development Plan confirms the government's general strategic direction respecting the public use of ICTs. COP 5.5 trillion (Colombian pesos, or USD 2.9 billion) were allocated over this four-year period in the plan's multi-year budget.

The use of ICTs is highlighted as being of particular relevance in pursuing the plan's pillars relating to good governance and effectiveness, growth and competitiveness. Vive Digital is the ICT strategy to be implemented under the current National Development Plan.

The Vive Digital strategy recognises the fundamental need to establish a full digital eco-system, and is based in the central principle to lead by example" (Ministry of Information Technologies and Communications, 2010; 2011).

Source: OECD (2013), *Colombia: Implementing Good Governance*, http://dx.doi.org/10.1787/9789264202177-en.

In sum, the Peruvian government needs to define and pursue a coherent and integrated vision where the cross-cutting nature of digital technologies is positioned to facilitate a change towards a digital transition and strategic use of ICTs to develop the digital eco-system at all levels of government. This would help Peru capture the value of digital technologies to support the achievement of national development objectives, including better policy outcomes for citizens, for instance through more efficient and effective service delivery.

Developing an integrated vision of digital government as a catalyst for robust inclusive growth

Responses to the questionnaire sent for this review and interviews during the fact-finding mission point to an ambitious but relatively dispersed strategic view about digital government and regarding its relation with other policy areas in Peru. The current predominantly legalist approach lacks an integrated vision for the use of ICTs across the administration and policy areas, supported by "buy-in" from stakeholders. The applied mechanism is rather top-down when it comes to developing guidelines for sector-based, regional and local level digital strategies. Consultation processes are not efficient, and the views of different stakeholders are not regularly taken into account, which is jeopardising the creation of a broadly accepted vision.

The OECD Recommendation advises governments to "engage with relevant stakeholders and other levels of government to provide input to the development of the digital government strategy". The Presidency of the Council of Ministers (PCM), and in particular the ONGEI-PCM, has made efforts to include stakeholders' views, such as those of civil servants, the private sector, academia and civil society, into the decision-making process. Albeit this fact and that legal obligations[10] support engagement, it has been observed that the government lacks a consistent method and has not been able to demonstrate successful processes for participatory consultation. Being able to prove consistency in public engagement and consultation is essential to create a trustworthy environment for public participation. The availability of civil servants adequately prepared to engage with all actors of the ecosystem at all relevant states of the digital government strategy's design and implementation, for example, is essential to ensure a sustainable and long-term change in the business model of the public sector. It would therefore be important for the government of Peru to develop a critical mass of staff and/or specialists who understand the difference between one-way communication approaches with the public and real engagement exercises which require civil servants' preparedness to build the ecosystems at different levels of government.

The OECD Digital Government Toolkit identifies the systematic use of public consultation mechanisms as a key way to leverage ideas from outside the public sector. These can include regularly publishing open government datasets to engage the public in policy decisions and regulatory reforms. These efforts need to be complemented by the development of a framework to guide civil servants to use ICT to support public engagement and foster participatory processes. For the shift to digital government to occur, the digitisation concept and action plans need to be incorporated into the "strategic thinking" of the whole government, in both a multi-sector and multi-level context. To be truly effective, the building of this new vision needs to rely on robust participative consultation mechanisms which should be planned and monitored regularly to ensure that there is sufficient time for a "change in thinking" about its usefulness, both in the public sector and for stakeholders. Additionally, the effective implementation of this vision requires the top management's and leaders' awareness of the importance to build on it to

promote a new approach to projects' design and implementation. Younger staff in more operational posts, although digital natives, cannot foster organisational changes unless the top management takes the lead in supporting a new approach.

The significance of having a vision for a multi-level digital policy has been recognised by OECD countries. Collaboration across different levels of government enables administrations to work more efficiently and effectively towards a shared vision and through a more informed and targeted implementation. The adoption of multi-level policies and the encouragement provided by bottom-up developments and initiatives in a public agency help prevent a situation where administrations "reinvent the wheel" every single time.

- One of the practices to be noted in Belgium is that managing a complex institutional framework can be done through openness and improved co-operation, where citizens gain the most as administrations deliver public value. The selected practice considers digital inclusion where Belgian institutions work together (Box 6.4).
- The Agency for e-Government in Uruguay (Box 6.5) has built a "joined-up" vision and engages actively with the stakeholders; these initiatives have led to the implementation of shared objectives, such as the creation of a platform for public engagement.

Box 6.4. **The Belgian digital inclusion policies**

One of the success factors reported in relation to digital inclusion is the "use of bottom-up initiatives". In Belgium, the French Community and the Flemish government, as well as the Brussels-Capital Region have supported the vision and contributed to the Internet Days. Regional and community governments support local initiatives as they all share the same vision for improving the digital skills of citizens.

Source: OECD (2008), *OECD e-Government Studies: Belgium 2008*, http://dx.doi.org/10.1787/9789264055810-en.

Box 6.5. **The digital government vision, co-operation and platform in Uruguay**

"The Agency for e-Government development of Uruguay promotes wide access to ICT; the acquisition of skills and knowledge to achieve greater social integration and better-equipped young people for the future; provides innovative solutions to improve services and quality of care that is given to society, simplifies procedures and processes; and provides user support regarding consultations and initiatives related to the areas of competence of the agency.

It also strengthens links with academia, civil society and international organizations with similar purposes; issues and proposes policies, rules and standards; enhances the synergy between state and businesses; and promotes the development of national software.

The Uruguayan E-Government Platform has the general goal of enabling and promoting the development of e-government services in Uruguay. The platform, which follows a two-pronged approach, consists of an Interoperability Platform and a set of cross-cutting services.

It implements a service-oriented architecture, leveraging the web services technology, to expose, use and combine government functionality implemented by public agencies. The platform is a key enabler for developing a joined-up e-government approach in Uruguay".

Source: United Nations (2014), "United Nations E-Government Survey 2014: E-Government for the future we want", https://publicadministration.un.org/egovkb/Portals/egovkb/Documents/un/2014-Survey/E-Gov_Complete_Survey-2014.pdf.

In line with the examples provided above, the Peruvian government could bring together stakeholders' views by harnessing through crowdsourcing the knowledge of relevant actors in a transparent and structured manner. In particular, the government should facilitate building a digital vision which is shared and generated through a bottom-up process, involving front-line civil servants from all levels of the administration to include an overview of the challenges at the regional and local levels of government. This approach would place the digital strategy at the heart of public sector reform and would allow it to fulfil its "catalyst" role for a rapid and deeper change. To facilitate this process most efficiently, cross-sector and cross-level (central, regional, local) strategies need to be aligned.

Securing leadership: Governance, management and planning

Strong leadership for sustainable digital governance: Linking budget to a multi-year strategy

In order to reach the expected efficiency and effectiveness gains out of the application of digital technologies, general circumstances for sustainable governance need to be established.

- First, governments need to acknowledge and position digital government as a key policy tool to achieve public sector reform and that as such it lies at its core. In the case of Peru, the first step would be to consider digital government as a critical tool to reform the public sector, coupled with making the mechanism for vision-building more participatory, as stated above.
- Second, Peru should establish the right governance to support the implementation of the "shared" vision at all levels of the public sector to support the realisation of the potential strategic objectives by providing the necessary leadership, management and operational effectiveness within the public administration as a whole.

In terms of leadership, a central role for policy co-ordination of digital government is formally ascribed to a unit within the Office to the President of the Council of Ministers (PCM). The governing body responsible for e-government – and consequently the lead actor for the digital government policy – is the National e-Government and Information Technology Office supervised by the President of the Council of Ministers (Box 6.6). This unit is responsible for the National Information Technology System; it also contributes to the definition of related national strategies (e.g. national government policy, national e-Government Plan, broadband strategy); and drives the implementation of the relevant policy. Notwithstanding the formalised role given to the ONGEI-PCM, leadership in designing and implementing a digital government strategy remains weak. It is clear that the establishment of the necessary leadership in this area requires further developments and the establishment of the right conditions that would enable the ONGEI to effectively provide the necessary strategic government-wide leadership and co-ordination role.

Box 6.6. The role of the National E-Government and Information Technology Office (ONGEI) and the National Information Technology System in Peru

The governance framework and institutional arrangements for digital government are still in the process of being defined. At the moment, competencies are dispersed and held across different entities such as the ONGEI, the National Institute of Statistics and Informatics (INEI) and FITEL. The National E-Government and Information Technology Office is the specialised body that hierarchically depends on the President of the Ministers Cabinet. As the governing body, it is in charge of managing the National Information Technology System and implementing the National Policy on E-Government and Information Technology according to what has been stipulated in Article 49 of the Regulation on the Organization and Functions of the Presidency of the Ministers Council approved by Supreme Decree No. 063-2007-PCM.

Responsibilities:

- Advising strategy development:
  - propose the National e-Government Strategy as well as co-ordinate and supervise its implementation
  - make proposals to boost technological development and innovation for enhancing public management and modernising the state by promoting technological integration.
- Monitoring strategy implementation:
  - develop actions aimed at the consolidation and development of the National Information Technology System and supervise compliance with the corresponding regulation.
- Prioritisation of ICT projects across the government:
  - co-ordinate and supervise the functional integration of the state's computer systems and promote the development of systems and applications for common use across public administration entities.
- Reviewing ICT projects across the government as needed:
  - provide technical assistance to public administration entities for the implementation of technological projects in matters within its sphere of competence.
- Mandating external reviews of ICT projects across the government:
  - co-ordinate and supervise the development of public administration entities' websites to facilitate the interrelation of entities among them and with citizens with the purpose of establishing one-stop shops.
- Approve or stop ICT projects across the government as needed.
- Other:
  - act as the governing body of the National Information Technology System; issue guidelines to help apply this system
  - manage the Peruvian government's website
  - propose guidelines for e-contracting of the Acquisition and Contracting E-system of the State (SEACE)
  - approve technological standards to ensure security measures of information at public administration entities

Box 6.6. **The role of the National E-Government and Information Technology Office (ONGEI) and the National Information Technology System in Peru** (*continued*)

- foster meetings between representatives from the public administration and the private sector with the purpose of co-ordinating and strengthening efforts aimed at enhancing better use of new technologies applied in public management modernisation
- give technical opinions (on matters within its sphere of competence) on drafts, bills and regulatory projects submitted by the top management

Source: Author and responses to the questionnaire administered across the Peruvian administration as part of this review.

Despite the fact that the ONGEI-PCM possesses a mandate covering a large set of ICT-related issues, including digital government, it lacks the capacity and instruments to pursue this breadth of responsibility. Indeed, even the specific tasks related to digital government appear to be too generic and limited for the ONGEI-PCM to have a real impact as the lead actor mandated to play a strategic co-ordination role in implementing digital government across the administration:

- The current responsibilities of the ONGEI in theory foresee its central co-ordination role for the PCM. Nevertheless, in practice, the actual capacity and mechanisms to deliver on this ambitious role appear to be weak. To carry on this complex and broad role, the organisation needs structures and mechanisms to set concrete actions, priorities and lead projects attached to the Digital Agenda 2.0 with clear and shared implementation responsibilities at all levels. There have not been any large-scale pilot projects listed to implement the agenda; and in the absence of a more detailed and broadly accessible action plan, expected results remain unclear and uncertain. Notwithstanding, a few examples of transparent goal-setting and delivery of projects (e.g. broadband deployment plans), in general terms multi-year projects with long-term objectives, are under-represented on the government's agenda.
- The government has more recently acted to co-ordinate more effectively the monitoring and evaluation of the current Digital Agenda 2.0; a legal decree[11] (CODES) has created a Multisectoral Commission (a committee of senior officials from the relevant ministries implicated in implementing the agenda) to support this. That said, the government could pay more attention to ensuring strong effective leadership in order to secure commitment to real progress in designing and implementing a digital government strategy in all levels of the public administration.

In order for Peru to benefit from the use of digital technologies, there is a need to give an explicit role to a "leading" organisation and a "manager in charge" to be associated with digital government throughout its whole process. This would reflect the OECD Recommendation, which advises governments "to provide an institution formally responsible for digital government co-ordination with the mechanisms to align overall strategic choices on investments in digital technologies with technological deployment in various policy areas."

Practices and structures to ensure the right level of leadership for digital government vary from government to government. That said, experience shows that strong leadership and political commitment have the uppermost consequences on whether the government

can accomplish its digital priorities. If it can count on the appropriate leadership, the Peruvian government could consider clustering strategic objectives and setting a small number of multi-year priorities supported by appropriate funding mechanisms.

It is clear that the central government in Peru engages extensively in setting conditions for the other levels of government and drives mainly ad hoc developments in specific areas with a limited capacity and leadership. Budgetary and policy decisions are not closely linked together, creating inconsistencies between the policy and legal intent of the central co-ordination body and the actual financial allocations for project development. The absence of a "manager in charge", a chief information officer, for instance, can also be a serious limitation to leading the design and implementation of a coherent, integrated national digital strategy as part of Peru's public administration reform agenda. The Peruvian government therefore needs to address the challenge of designing and adopting a long-term sustainable leadership, governance and management model to design and implement digital government.

To do this, the Peruvian government should identify the best-fitting model of governance to ensure strong whole-of-government leadership for strategy-setting and implementation. There is no "one-size-fits-all" model, as underlined in the OECD Recommendation.

- some countries, such as Austria (Box 6.7) and Ireland, follow a centralised approach where planning and funding have been interlinked
- others, like Mexico and the Slovak Republic, have a centralised policy with decentralised implementation
- Australia, Belgium and Canada have a mixed approach while certain countries, such as the Netherlands and Switzerland, follow a more decentralised track in both planning and implementation.

Successful leadership goes beyond setting up the co-ordinating agency; nonetheless, success implies establishing a governance framework enabling the government to develop a common vision that is shared government-wide, and implementing it with the full and willing participation of all the relevant actors.

The *OECD Recommendation of the Council on Digital Government Strategies* urges governments when developing digital strategies to "secure leadership and political commitment to the strategy, through a combination of efforts aimed to promote inter-ministerial co-ordination and collaboration, set priorities and facilitate engagement and co-ordination of relevant agencies across levels of government in pursuing the digital government agenda."

Efforts to deepen co-ordination are notable in Peru. Collaboration and co-operation among stakeholders is primarily managed by means of a legal arrangement: the National Information Technology System (Legislative Decree No. 604[12]) has been established to organise information technology activities and co-ordinate projects carried out by public institutions. Utilised appropriately, this system would have great potential to harmonise the use of technological standards and guarantee the use of interoperable solutions across all agencies.

Following the approach adopted by some OECD countries, for example Estonia and the United Kingdom, greater co-ordination can also be achieved by implementing government services using innovative communication solutions supported by the Internet Protocol v6 (IPv6), or the G-cloud.

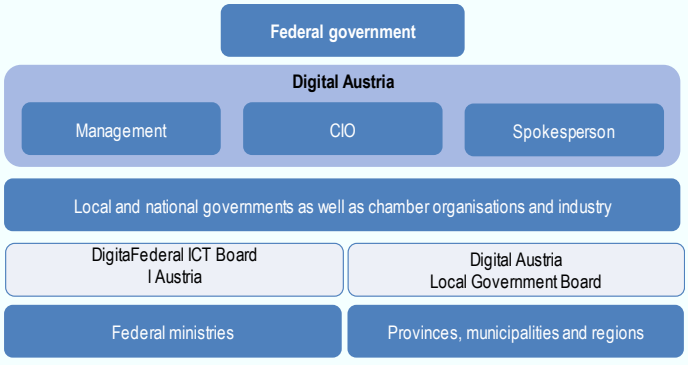
This system is not yet fully operational, so it is too early to assess its effectiveness with respect to cross-governmental co-operation and leadership. At a first glance, however, this collection of committees and advisory bodies does not appear to be co-ordinated; nor does there appear to be a single lead actor or leadership hub to carry out this co-ordination in pursuit of coherent whole-of-government strategic objectives to implement digital government.

One possible solution, such as the CIO in Austria (Box 6.7) with clearly defined roles and co-operation mechanisms – enabled by digital technologies – can significantly improve the chances of success for the Peruvian government. Another example of even more advanced co-operation can be observed in Colombia. The National Commission (Box 6.8) has an explicit role, for instance in developing standards, recommending interoperability, technologies and guidelines for procurement and the use of open data. Recent decisions taken by the Peruvian government appear to be moving in the right direction. The newly established Multisectoral Commission supervising the implementation of the digital agenda in Peru shares some similarities with the Colombian model in terms of ambition, particularly in relation to the co-ordinating role.

Box 6.7. **The Austrian model of leadership**

Digital government in Austria led by the Federal Chancellor, the Federal Executive Secretary for eGovernment and the "e-Government platform" has been created under his leadership. There are strict co-ordination mechanisms and a clear role is given to all participants (e.g. Vice-Chancellor, the Minister for Justice, the Minister for Home Affairs, the Minister for Finance, the Secretary for the Arts and Media) in the platform.

Figure 6.1. **Austrian organisation chart on digital government**



Source : OECD's own work based on www.digitales.oesterreich.gv.at.

Furthermore, the regional governments (Article 18 of Legislative Decree No. 604) and municipalities (Article 19) depend in normative terms upon INEI. Wide-ranging tasks are defined to co-ordinate systems and references at national and regional levels (Article 9). However, observed practice in Peru does not confirm a "bottom-up" channelling process from local to regional and national levels upwards, which could create a bridge in efforts for more informed decision making.

Box 6.8. The functions of the new National Commission for Digital and State Information in Colombia

1. Co-ordination and guidance of the execution of public functions and services related to the management of public information throughout the country.
2. Recommend guidelines for national and sector policies related to the use, development and maintenance of technologies for managing information according to country requirements and state information articulation.
3. Advise the government on the position to be presented to international agencies related to Internet governance, domains and intellectual property on the web, cyber security, cyber defence, protection and privacy of information.
4. Generate guidelines for the Cyber Emergency response group in Colombia.
5. Promote agreements to ensure interoperability and integration of intra- and inter-sectorial information systems in the country.
6. Recommend policies and programmes to the government in order to develop standards of access and use of public information.
7. Promote in all state agencies the use and appropriation of technologies to manage state information and improving service provision.
8. Recommend policies and programmes to the national government for the state's technology infrastructure development.
9. Establish its own regulations in order to ensure compliance with its functions, and the articulation and co-ordination for decision making inherent in their field.
10. Recommend policy guidelines for the procurement of hardware and software without implying participation or approval of the procurement processes, previous concepts, terms of reference, contractual conditions or investment projects of public agencies.
11. Establish guidelines for access to and management of public information under an open government, for the benefit of citizens, through mechanisms to improve the quality, accessibility, availability and reliability of public information.
12. Consolidate, in co-ordination with the Ministry of Information and Communications Technologies, inter-sector requirements related to government information and information technology for the purpose of defining policies and strategies in this area.
13. Follow up the implementation of policies and guidelines related to state information and information technologies.

Source: OECD (2013), *Colombia: Implementing Good Governance*, http://dx.doi.org/10.1787/9789264202177-en.

In Spain, cities have self-initiated an organisation, a Spanish Network of Smart Cities, which dedicates its work to sharing good practices, representing the interest of municipalities to the national government, leading to better informed decisions at higher levels that meet the expectations of cities. In Peru, in particular in the field of open data, many initiatives are undertaken at the municipal level, which provides ground for rapid developments. Hence, Peru needs to consciously encourage bottom-up collaboration with local levels of government and channel them into the decision-making system on digital government and open government data to establish better relationships across levels of government based on more information sharing and collaboration.

Digital government funding model

In Peru, having legally established medium-term strategies (2013-17) is a clear indication of the intent to take steps towards multi-annual strategic planning. Despite these efforts, in the absence of a detailed action plan and political commitment at the level of implementation, a limited number of goals is expected to be accomplished. The lack of a broadly "recognised" leadership and until very recently the absence of an efficient co-operation apparatus are weakened further by relatively dispersed, uncoordinated funding mechanisms. The Peruvian government applies strategic planning from "the centre" while less attention is given to the selection of high-impact, large-scale pilots at the same level through involving relevant public entities. Though the budget allocation is centrally co-ordinated (ONGEI), there is a relatively high degree of autonomy from the funding point of view at the level of public entities. In order to improve the funding mechanism for digital government, a revised governance model could envisage co-ordination between the ONGEI and the Ministry of Economy and Finance while determining the national budget for ICT to be assigned to the various parts of the administration.

In practice this means that ICT and digital government-related projects can be funded through:

- The Municipal Compensation Fund (FONCOMUN): a fund established in the Political Constitution of Peru with the purpose of promoting investment in the municipalities. It is based on redistributive criteria in favour of the most remote and depressed areas, prioritising allocation to rural and urban marginal areas of the country (see Chapter 4).
- The Regional Compensation Fund (FONCOR): established in Article 37 of Law No. 27783, the Decentralisation Framework Law, as a financing source for regional governments. It is a compensation tool that seeks to distribute additional resources to regional governments based on equity and compensation criteria. These resources should be fully used in regional investment projects that comply with the rules established in the National Public Investment System (see Chapter 4).
- International co-operation.
- An entity's own resources.[13]

Thus, the current Peruvian policy and funding approach is highly complex. Stakeholders, including government agencies responsible for "defining projects and targets" in various policy sectors at all levels of government, do not appear to be including digital government in their upmost strategic priorities. This in itself appears to suggest that digital government is a lower priority area of operational intervention for most entities at all levels of government. To address this, as previously recommended, a number of actions could be taken to pursue "cultural and organisational change" within the administration to incorporate digital technologies into key government reform areas:

- First, "centralised" planning needs to be linked to the budget. This would include the identification of concrete objectives and targets supported by improved project co-ordination.
- Second, the government could consider having multi-year strategic targets set in consensus with a broad number of stakeholders, following the good practice of the ONGEI that elaborated the project of the National Strategy for E-Government with the organisation Pro Gobernabilidad. This should be coupled with an efficient and

transparent financial support and co-ordination mechanism. The accomplishment of those broadly agreed legitimate targets should be a priority over several government mandates and based on stable multi-annual planning.

- Third, a mechanism comprising a set of data and regulations in support of standardisation and collaboration among different levels of government should be aggressively promoted, both across central government and at the local level.

Several countries apply methods for better linking policies' objectives to the budget. Decades ago, the United Kingdom (Box 6.9) established an innovative funding mechanism for financing digital projects to which all public agencies can apply in an objective and competitive system. Overall management, including project selection, co-ordination and management, requires stronger leadership, more efficient mechanisms, a governance system and above all a long-term political commitment. Peru's processes and methodologies should be revised and a practice or system similar, for example, to the Mexican (Box 6.9) central system for planning, budgeting and evaluating ICT project could be considered.

Box 6.9. **Funding mechanisms in the United Kingdom and Mexico**

Since 1998, the United Kingdom has followed an innovative funding mechanism. Funding is granted on a competitive basis. Some of the criteria are related to the innovativeness of the idea, quality and impact on effectiveness and efficiency of the service.

Mexico has a central system for planning, budgeting and evaluating ICT projects from all federal agencies. "The system helps match ICT projects against overarching objectives, detects overlaps and aids in evaluating the performance of ICT investments".

Source: OECD (2003), *OECD e-Government Imperative*, http://dx.doi.org/10.1787/9789264101197-en.

Processes and methodologies for successful implementation

The leadership structure and governance framework have a strong linkage with the business processes and implementation models to be chosen. Today, there is no standardised model for managing government-related, state-owned projects in Peru. It is the responsibility of each entity to establish its own project management methodology.[14]

The OECD Recommendation calls upon governments to apply better project management and adopt a stronger focus on articulating a clear value proposition for all projects above a certain threshold to identify expected economic, social and political benefits to justify public investments and to improve project management. This can also help ensure the availability at any time of a comprehensive picture of ongoing digital initiatives to avoid duplication of systems and datasets. A structured approach for risk management, project monitoring is also advised by the same OECD legal instrument. For a start, the Peruvian government could analyse which approach from the Common Business Processes (CBP) is more suitable for its context. On the international scene, there are four leading approaches that are not necessarily mutually exclusive and may appear in different combinations:

- The control approach: the central co-ordination approach is, for example, mainly practiced in such countries as Denmark and the United States, where a central organisation controls the entire planning and implementation cycle from the business case development phase to monitoring project performance, and seeks to create strong government-wide leadership with enforceable levers to set policy and control approval

of funding for large ICT investments, usually by creating a co-ordination unit with a clear mandate (such as a CIO). This approach may include the creation of shared services organisations and centralised procurement processes for ICT. The strength of this centralised approach resides in its ability to create common standards across government and potentially leverage economies of scale. However, its focus on big-ticket items can make it slower to react and limit agility in initiating pilot projects to explore new technologies and approaches, given the emphasis on a government-wide scale.

- The facilitating role has been applied by countries such as Germany and New Zealand. It is characterised by an organisation established in the centre (usually in the centre of government) which actively influences the decisions and business case development of other agencies. The digital transformation office model, paradigmatically represented by the UK's Government Digital Service, creates a new organisation with the mandate to oversee and co-ordinate the use of technology, deeply focusing on service delivery and the transformation of the administration's functioning. It is staffed with specialised expertise in digital technologies, tools and approaches. Its staffing strategy usually concentrates on bringing people from the tech sector to compensate for the lack of highly technical skills within most civil services. This approach has generally focused on achieving "quick wins" on service quality improvement, but may have difficulties with longer term structural and cultural change across government given its outsider status and culture.
- The least structured approach is the *laissez-faire*, applied mainly in the Netherlands and Sweden, where agencies enjoy the most autonomy in their decisions.
- The decentralised approach, exemplified for instance by Finland, provides greater flexibility for individual agencies to pursue projects and experiment with different approaches in using ICT for modernisation. Often there is still a centre of government co-ordination body and a national strategy to guide digital government activities; however, there are fewer mandated requirements on public sector institutions and no unifying senior official with ultimate responsibility for the digital agenda. This approach offers the opportunity for greater customisation and experimentation by departments as well as more opportunities to engage with other levels of government. However, this approach may lead to uneven implementation and make it more challenging for lessons learned to be effectively transmitted and operationalised across all government organisations.

It appears from the data collected by the OECD (OECD, 2005b) that when the CBP identification process is systemic, governments adopt a strong vision for digital government and create a fairly strong co-ordination agency with a whole-of-government mandate, responsible for developing the CBP and setting up the general organisation process government-wide.

Table 6.1. **The characteristics of international approaches to governance**

	Central co-ordination	Digital transformation office	Decentralised co-ordination
Building the business case	Usually by a central agency	Central agency, may be developed in co-operation with involved organisations	Involved organisations. A central agency may develop non-mandatory business case models
Decision to develop Common Business Processes	High political level	High political level	Involved organisations
Developing a solution	Central agency or committee appointed by politicians	Central and highly technical office, may co-operate with involved organisations	Committee appointed by involved organisations
Implementing the solution	Mandatory (sometimes)	May vary from mandatory to demand-driven recommendations (e.g. GDS or 18F)	Optional

Source: OECD (forthcoming), OECD Digital Government Toolkit.

There are some immediate actions that the Peruvian government could consider as a "quick-win, long-term impact" strategy on the way toward better resource and project management. One of the key processes where governments report savings and benefits of digital government is in smart procurement. By introducing and upgrading to a modern, co-ordinated and reliable system and standards for ICT procurement, the Peruvian government can depart on a more coherent, transparent and efficient modernisation track. It has been observed that public entities, especially at the regional and local levels, are not receiving support to procure the necessary software (e.g. security). When procurement activities are based on a co-ordinated, planned and streamlined approach, they are more cost-efficient, and as a "side effect" bring higher trust in the governments.

The OECD Recommendation advises governments to "procure digital technologies based on an assessment of existing assets including digital skills, job profiles, technologies, and contracts, inter-agency agreements to increase efficiency, support innovation, and best sustain the objectives stated in the overall public sector modernisation agenda. Procurement and contracting rules should be updated, as appropriate, to make them compatible with modern ways of developing and deploying digital technology". Similar to other governments, Peru is facing an obvious challenge related to public trust. The government needs to rebuild trust from its citizens, including by making efforts to eliminate corruption. The government can pursue this objective by introducing more efficient mechanisms to save tax-payers' money. For instance, the Mexican government (Box 6.10) has acknowledged the role of digital government in increasing transparency in procurement practices, and has detected several corruption cases with the help of its Internet-based government procurement system.

The Peruvian government could also realise benefits from a structured approach to public service provision by turning evaluation, measurement and performance assessment into leading practices across the public sector. At this stage, few good practices have been developed for online digital services. That said, the government has created an online Service Administrative Service Catalogue. This catalogue provides detailed information of transactional online services (e.g. number of services, service characteristics). Nevertheless, there is no regular reporting or information collected on, for example, transaction costs or user satisfaction.

The OECD Recommendation calls for "establishing evaluation and measurement frameworks for project performance at all levels of government, and adopting and uniformly applying standards, guidelines, codes for procurement and compliance with interoperability frameworks, for regular reporting and conditional release of funding.

Box 6.10. **Mexico: Fighting corruption through digital government**

Mexico is one of the leading countries in e-procurement and in the use of digital technologies to fight corruption. Transparency and accountability have been top political priorities for the government for many decades. Compranet and the Mexican Institute of Social Security show the extent to which the fight against corruption has been successful, especially when it is coupled with an efficient digital government policy.

Compranet is an Internet-based government procurement system introduced in 1996 by the Comptroller General.

The system already in that period contained the legal framework, bidding opportunities, statistics, notifications and all other relevant information for government procurement activities. There have been several corruption cases unmasked thanks to Compranet and it is considered to be one of the most known digital services in Mexico, representing an important role in increasing transparency and citizens' trust in government.

Source: OECD (2005b), *OECD e-Government Studies: Mexico 2005*, http://dx.doi.org/10.1787/9789264010727-en.

It is not mandatory to carry out business case analyses in Peru. In exceptional cases, for projects under Peru's Public Investment Projects (PIP) within the National Public Investment System, feasibility studies are prepared and evaluation processes apply. But in most cases ICT projects are implemented outside of any evaluation and measurement framework. The direct financial benefits of ICT projects are also not considered. Denmark provides one of the best examples across the OECD of coherent and strategic use of business cases for digital government projects across the whole public sector.

To sum up, the Peruvian government could consider introducing, and making mandatory, a standard evaluation and measurement practice for digital ICT projects. These improved processes could be expanded to the procurement and funding practices to guarantee a more transparent, cost-efficient system. Moreover, the provided services should be carefully monitored and key performance indicators should be identified to be able to take more informed decisions on services prioritisation, etc. Some of these can be related to the time spent on, actual take-up volumes of service(s) or transaction costs, user satisfaction per delivery channel. All of these elements and information can be used for setting realistic short-, medium- or long-term targets at a level of a national strategy or action plan (e.g. in Hungary some of the current targets are -10% for reducing administrative fee costs, -20% administrative burden reduction, +50% of case types available for electronic administration by 2020).

Digital skills: Training and institutional flexibility

The public sector in Peru faces challenges in attracting ICT professionals due to strong competition from the private sector, where higher wages are offered for similar jobs. In addition, the level of digital skills is still relatively low within the general population. Targeted education can, over the long term, be extremely efficient due to the demographic profile of the country (the population is relatively youthful). Over the short and medium term, Peru's current policy approach suggests low potential to change the digital and project management skills of the civil servants in an absence of a targeted approach.

With regard to institutional capacity management, the OECD Recommendation suggests "reinforcing the public sector's digital and project management skills, mobilising collaborations and/or partnerships with private and non-governmental actors as necessary". Hence, the Peruvian government needs to invest in the development of the right level of digital skills across the administration in the whole country. In particular, it needs to focus on reinforcing the public sector's digital and project management skills. There is a strong need for an overarching strategy to attract, develop and retain ICT-skilled civil servants in the government. Different strategies could be considered by the Peruvian government:

- In Austria (Box 6.11), given the fact that digital government has been one of the highest strategic priorities and is managed at the federal level, a detailed plan has been established across all levels of government in order to educate and train civil servants. This has obviously impacted the rapid development of necessary skills within the whole public sector. It was, however, not limited to "quick gains", but seen as a part of a deeper reform and training for all.

Box 6.11. **Digital government trainings in Austria**

"The development and implementation of electronic public services is one of the priorities of the Austrian federal government. The government plan principally states that every citizen in every community should have access to all forms of e-government at the federal, provincial and local levels. Secure communication and transactions as well as confidential handling of personal data have top priority. So e-government gains in importance at all levels of public management. Well-trained employees form the base for the efficient use of new means and the development of a customer-friendly administration. The administrative academy situated in 'Schloss Laudon' offers a comprehensive number of trainings with a strong emphasis on practical needs. Interested employees and managers can choose between a wide range of 'e-government courses'. Since autumn 2006 more than 600 employees of the public sector attended e-government trainings to deepen their comprehension for electronic information-, communication- and transaction processes and enlarge their skills in the use of information and communication technologies."

Source: Digital Austria website, www.digitales.oesterreich.gv.at.

- Other international examples indicate that in addressing the lack of digital skills, a strategy is needed to enhance flexibility in institutional and resource-allocation processes across different levels of the public administration. In Peru, one of the key issues derives from the uneven level of IT knowledge in the public sector, which is coupled with the difficulty to attract and retain staff. One solution developed at the regional level in Belgium (Box 6.12) to address this problem was the ISISteam in Brussels.

Box 6.12. **Attracting digital government skills and competencies in the Brussels-Capital Region**

In 2006, the Brussels-Capital Region defined the necessity of building on an "experienced, dynamic and enthusiastic" workforce within ISISteam. ISISteam is an arm's-length organisation of the Brussels Regional Informatics Centre, which was created to deal with highly ICT-skilled labour for the public administration of Brussels-Capital Region in response to a difficulty to attract and maintain ICT skilled staff. ISISteam created a dynamic organisational culture and support in the municipalities (e.g. providing ICT-skilled staff, knowledge-sharing conferences, developing specialised software). The Brussels Regional Informatics Centre also acts as a central purchasing body for IT procurements, which simplifies procedures for local governments.

Source: OECD (2008), *e-Government Studies, Belgium 2008*, http://dx.doi.org/10.1787/9789264055810-en.

- In Norway (Box 6.13) a different solution – i.e. learning networks and communities of practice – was developed to facilitate knowledge sharing among public sector employees from local or national levels.

Box 6.13. **Supporting learning networks and communities of practice in the Norwegian public sector**

The Norwegian government has made efforts to modernise the public sector and increase the quality and user-orientation of public services. The project builds on the idea that access to competences and exchange of experiences are essential for local governments to take good decisions, become more innovative and produce high-quality public services. In order to achieve this, the project strengthens the importance of mobilising the intellectual capital of more than 700 000 employees working either in central or local governments. One of this project's first objectives was to develop horizontal knowledge to support the development of user-oriented integrated electronic services.

Source: OECD (2005c), *OECD e-Government Studies: Norway 2005*, http://dx.doi.org/10.1787/9789264010680-en.

Harmonising digitisation across the country

Drive change through planning, reporting and sharing good practices

The availability and variety of digital services offered to citizens could be better co-ordinated in Peru. Indeed, development in both elements highly depends on the capacity of local or sector actors. As a result, there is an uneven presence of, and progress toward, digital government, with strategic choices about strategy and projects being left to specific sectors and municipalities. Better co-ordination, a catalogue of good practices and the sharing of experiences from "pioneers" can pave the way for others willing to adopt a similar solution. In order to benefit from the achievements of these practices, more strategic "piloting" would be required, together with the establishment of a "feedback loop" mechanism. In Peru, the mac centres (Box 6.14) organised at the regional and local levels can certainly be considered a good practice. The government intends to increase their number in 2016.

These mac centres have been developed with a user-focused approach and "single point of access" philosophy, bringing together several services of different organisations which are user-oriented and represent an intermediary progress. In the towns and regions where the mac centres have been established, there is a clear, measurable advantage for citizens. Additionally, mac centres provide statistics on the use of specific services and numbers show that, for instance, in the last few years company registration has become increasingly popular at the centres (its use has doubled in Lima in four years).

Collect and apply the experience gained through the mac centres

In order to allocate resources more efficiently, the Peruvian government could consider setting priorities for the development of digital services so as to benefit strategically from the experience collected through the mac centres. The selection of the services to be developed and a timeline to reach a transactional level should be based on deeper analysis and the field experience of the mac centres, which could be channelled back more strategically in the decision-making process. Furthermore, if regular performance reporting related to the online and digital services were established, it would

allow the government to make better decisions and future plans. The government should develop further its user-centric approach and replace the ad hoc follow-up measurement of users' satisfaction with a more systematic approach.

Box 6.14. **Peruvian central service centres at local level: The mac centres**

Mac (*mayor atención al ciudadano*, www.mac.pe) is a Peruvian initiative to bring public services closer to citizens through a physical single point of access in towns or districts. There is a national portal established which is limited to information about contacts, services and a description.

These service centres have been piloted in the last years. In 2015, there were plans to establish four mac centres: East Lima, South Lima, Huánunco and Arequipa. The mac centres aim to bring most public services from all levels closest to citizens in a co-ordinated and integrated manner.

The following key services are made available:

- For citizens:
  - national ID card and passport-related matters
  - birth certificate and related legal matters
  - criminal records and related certificates
  - driver's licence
  - healthcare-related documents
  - social security-related documents.
- For businesses:
  - company registration
  - work contracts
  - judicial services
  - consumer protection
  - real estate related services.

The mac centres keep record of all service types and their frequency of use. In March 2015, the most used services were related to taxes, judicial matters and passports. The services of about 22 organisations are made available, including local levels: municipalities, state-owned companies, the national bank and ministries. In addition to the website and the physical centres, information about services are also available at the call centre: 1800.

Source: OECD desk research, based on information received from the mac centre in Lima during the fact-finding mission.

Another issue relates to the online Service Catalogue developed in 2014. This is an excellent initiative which could inform all government agencies and entities responsible for service provision. This catalogue makes the maturity level of services (see UN four levels as categorisation) comparable at international level, used to inform citizens (e.g. multi-channel services, call centres) and allow relevant service providers to monitor progress, which would encourage them to look proactively for co-operation. If further developed, the catalogue approach can allow the Peruvian government to shift its efforts toward more cost-efficient, co-ordinated and informed digital government implementation.

Another related initiative is the government's latest project, introduced as mandatory by legal ordinance[15] at all levels of the public administration: the Single System Procedures and use of Single Text of Administrative Procedures. The Single Text of Administrative Procedures is a catalogue of all digital procedures which is progressively being implemented in the administration under the leadership of the SGP-PCM. This has significantly reduced administrative burdens for citizens and is enabling the delivery of better services in a more transparent manner. Both the software tool for the development, simplification, and the official repository of administrative procedures and services also constitute a significant step in enhancing transparency.

Furthermore, the concept behind the services offered in the mac centres is seemingly driven by a "life event" approach (Box 6.15), similar to what has been observed in several OECD countries. A life event approach means that the public authorities in charge of service provision "establish service delivery processes focusing on meeting specific needs at various phases in the lives of citizens or in specific life situations of user groups" (OECD, 2013). The Italian government has applied in a very early phase a life event approach which has been taken up by several countries and in the European Commission's e-Government measurement practices for the EU 28.

Box 6.15. **The Italian life event approach to service delivery**

The Italian government used the "life event" approach to identify which services should be given priority for e-enablement.

During the first phase, a qualitative evaluation model was used to classify and rank services in terms of priority for e-enablement. A preliminary set of 80 high-priority services was identified: 40 for citizens and 40 for businesses. The second phase involved qualitative analysis of the opportunity for making these services available online. The following criteria were used in the selection process:

- frequency of use (including population affected by the service and the number of interactions needed to provide the service)
- added value for users
- tendency of potential service users to use the Internet
- range of fees to be paid for the service
- opportunities for eliminating services from the service provider which are not considered to be required by citizens (for example certificates produced by a public administration)
- possibility of providing the service more easily electronically (for example payments for public utilities that can be easily executed automatically by the user's bank).

Source: OECD (2009), *Rethinking e-Government Services: User-Centred Approaches,* http://dx.doi.org/10.1787/9789264059412-en.

In addition, those services which are of greater importance based on frequency of use or other criteria can be considered when selecting development areas. The Mexican government (Box 6.16) has opted for selecting high-impact services which lead to a more targeted policy on digitising public services.

Box 6.16. **The Mexican approach to high-impact services**

High-impact services (HIS) is a term used in Mexico to refer to the most important and heavily used services that government provides. The government's aim is to provide personalised services to the majority of the Mexican population. The high-impact services are classified by themes according to users' needs and based on the 80/20 rule, which establishes the criteria for identification – 20% of the most relevant information that is most frequently looked up by 80% of the users. The classification of high-impact services is done according to channels identified by user profiles (i.e. citizens, companies, public officials). Some examples of high-impact services are passport appointments, driver's licences, job applications, health insurance, labour rights and information on women's health. The purpose of this approach was to increase the number and use of transactional services in a simple way according to user profiles, and to reinforce the customer resource management and multi-channel delivery strategy through technological convergence. This was to enable federal government agencies to incorporate the current digitalised services into their own business environments and generate new services in electronic formats. In some organisations, high-impact services have been identified as specific targets for developing Internet functionality.

Source: OECD (2005b), *OECD E-Government Studies: Mexico 2005*, http://dx.doi.org/10.1787/9789264010727-en.

A more conscious application of: 1) the life event concept; 2) the selection of high-impact services; coupled with 3) the monitoring of the quality and use of services, and their value to the end user, can enable the Peruvian government to prioritise developments in digital service design and delivery based on robust evidence of what works and what does not in meeting the needs of the population.

An integrated user-friendly approach based on international good practice

In pursuing the implementation of service digitisation, the Peruvian government has taken actions to use modern social media tools in communicating with citizens. The government admittedly primarily wishes to improve communication and co-operation through this action and "Guide the demand for public services towards digital channels, that is, lead them away from the use of face-to-face service delivery, letters or phones". The establishment of the Services Portal for Citizens and Businesses[16] is an important step towards a one-stop shop approach aimed to ease up accessibility to services. It should be noted, nonetheless, that to promote such a solution efficiently, the government, in co-operation with all relevant agencies, should focus more systematically on linking the single point of access, or one-stop shops for digitised services developed in individual sectors, in the "*Ventanilla unica del estado*". The idea behind the development of these one-stop shops is to improve the internal integration of internal procedures.

Mac centres are bringing one type of solution in specific areas; however, citizens need clear guidance and structured access to all necessary information on public services, preferably online. It is becoming more relevant to subject a higher number of transactional services to performance measurement and to assess user feedback regularly. In practice this means further developing the "front-office" activity of the government in this area: the "Citizen and Enterprises Service Website (PSCE), which contains information on administrative services and procedures carried out within public entities, based on the Unified Text on Administrative Procedures (TUPA) of each entity. The PSCE has an online Public Administration Service Catalog, which provides a list of online services delivered by public entities".[17] Another condition is to strengthen

"back-office" arrangements by creating a central repository and database, and establishing interoperability between government databases. Since 2011[18] it is possible to exchange data among the different public agencies (made mandatory in certain cases), counting 32 web services and 64 state agencies committed to interoperable solutions. This is possible thanks to the National Interoperability Platform (*Plataforma de Interoperabilidad del Estado*, PIDE) that was approved through Supreme Decree No. 083-2011-PCM.

Most European countries have developed a government portal and work together on offering cross-border digital services. Country solutions to an efficient one-stop shop service can serve as "inspiration" for the Peruvian government when deciding on next steps. For instance, Austria (Box 6.17) has been leading in the front of e-government and today has a well-functioning national one-stop shop portal.

Box 6.17. **Austria's national digital government portal: www.help.gv.at**

The portal:

- first contact point for citizens, businesses and users about any public authority and its work in the country
- its success is connected to the fact that the portal is accessed by the application of a citizen's card, which is a uniform system of electronic identification
- entire procedures can be carried out electronically without changes in the type of media (e.g. filling out a form, paying fees, to internal processing and delivering official documents and notifications)
- accessibility is ensured for people with special needs
- user-friendly design and navigation
- contains general information on e-government services and provides links to the corresponding solutions
- the "forms/online procedures" menu contains an exhaustive list of application forms for all public authorities in Austria, from A to Z
- a multitude of transactions can be conducted directly online; processing transactions electronically does more than just offer advantages to customers of government services
- applies a content syndication mechanism, which enables the distribution and reuse of web content and allows the portal's content to be embedded to other web sites.

Source: OECD desk research, Digital Austria website: www.digital.austria.gv.at/.

Hungary (Box 6.18) has also developed a governmental portal, "Client Gate", which has been in use for more than a decade. It was an easy, cost-efficient solution and is broadly used today. The Hungarian "Client Gate" allows online access for registered users to all digital public services and most citizens and businesses are now active users. It has a secure authentication system and a single entry point to transactional services.

Box 6.18. **Single access to all digital services in Hungary through a government portal**

Hungary has a single-entry solution for all digital public services (central and local governments) for customers (businesses and citizens) on the e-government portal, https://magyarorszag.hu.

Hungary's e-government portal was launched in September 2003 to replace the former eGovernment.hu. The aim was to build a single-entry online service capacity, where citizens and businesses could administer their central and local government-related affairs. The portal has been extended to include a number of services and functions, such as a Virtual Document Office. There are 233 cases of which several are partly or fully transactional.

The portal features explanations related to administrative transactions (procedural steps, documentation required), serves as a main communication tool between agencies and citizens (e.g. e-mail notifications are sent, forms can be downloaded).

If a personal appearance is needed at an office, appointments can be booked online. There is a multi-channel service attached to the portal with a call centre (central number which can be called from anywhere in the country).

Source: OECD (2007), *OECD e-Government Studies: Hungary 2007*, http://dx.doi.org/10.1787/9789264030527-en.

The Peruvian government has made it legally possible to accept electronic requests and digital communication from citizens[19] and established the digital identification through the Política Nacional de Gobierno Electrónico 2013-2017. The "Law on Digital Signatures and Certificates" has established since 2008 a basis for digital identity use, for example for e-voting and e-signatures. In addition, a more secure electronic identification and generation of interoperable services is under consideration. All these efforts underline the government's awareness of the key issues and developments needed. Still, a more focused approach and "promotion" of these solutions remains an important challenge. Citizen and user engagement therefore needs to be set at the core of these developments in order to reach a critical mass of users and guarantee progress and return on investment. With regard to the potential benefits expected to emerge from developing smartphone solutions, Peru has a basis on which to build initiatives, such as the catalogue of mobile applications.[20]

One of the leading solutions in this field is the Estonian digital ID (Box 6.19). Estonia has also been active in mobile government. Some municipalities tested the service provisions early by using mobile phones and more recently smartphones. As in Peru, an increasing proportion of the population is connected to the Internet through mobile phones, positioning Estonia as a relevant case study for Peru.

Besides the challenge on the digital service provision in the front office linked to the digital identification, there is an often neglected element of success: e-documents. Having a vision and building digital services requires governments to shift from paper to electronic documents, including in internal procedures. Electronic document management systems are crucial to public administrations to achieve fully digitalised processes from which costs and time spending can be visibly reduced.

In Peru, even if some services are becoming more and more digitalised, personal appearances are sometimes needed and in the back offices most of the work is done on paper. Hence, the Peruvian government, when incorporating digital government into the vision of public sector reform, should consider its approach to electronic document management in order to improve internal processes. A positive sign is the fact that as part of the Política Nacional de Gobierno Electrónico 2013-2017, the government aims to

implement the "*cero papel*" (zero paper) project through the "Sistemas de Trámite Documentario" (documents processing system), envisaging the use of digital signature and certificates. At present, 6 public entities are using the system and a further 18 are in the implementation phase.

Box 6.19. **Estonia Mobile-ID**

The Mobile-ID service is a collection of organisational and technical measures to create a strong, seamless digital identity for Internet users. To use Mobile-ID, users must acquire a special SIM card (available from mobile operators) and for extra security, activate the service on a website with an Estonian ID card. After that, the Mobile-ID is ready to be used on any compatible website for authentication and digital signature. The Mobile-ID certificates are valid for five years, after which the SIM should be replaced. The service is implemented according to Public Key Infrastructure and launched by the mobile operator EMT in co-operation with CA AS Sertifiseerimiskeskus.

The main impact is for users, who benefit from a more convenient login (authentication) process, which is compatible among websites. This service has shown real value in furthering secure usage of m- and e-services. Most people have both ID cards and mobile phones with them at all times, so these devices greatly minimise the risk of using e-services. There are no more queuing bribes, no forms in triplicate and no need to plead a case to several administrations. The benefit for service providers is that the authentication process is highly secure and at a low cost.

Source: OECD/ITU (2011), *M-Government: Mobile Technologies for Responsive Governments and Connected Societies*, http://dx.doi.org/10.1787/9789264118706-en.

Get the users on board

The Peruvian government has recognised the potential value of digitisation to provide better opportunities equally to all citizens and concentrates on fighting the "digital divide". It is an obvious challenge to bring Internet and broadband to all. At the same time, digital statistics in Peru on the medium-term are promising. The youth literacy rate has increased to 96-98%, which is closely linked to education and the expected digital literacy level; about 98.8%[21] of the population has a mobile phone, with Internet usage catching up to between 26.2%[22] and 40% (2012).[23] In the past few years, trends show that both Internet access and smartphone usage has increased in the country. Based on the estimates of eMarketer,[24] "Peru is home to the fifth-biggest Internet user market in Latin America, and will boast the fifth-fastest Internet user growth worldwide this year, trailing India, the Philippines, Indonesia and South Africa."

In parallel, the Peruvian government should prioritise actions to develop better infrastructure. Besides the promotion of broadband, which is considered to be a top priority, the government has started to create a legal basis for several enabler areas relevant to users. For instance, the Law of Digital Signatures and Certificates approved by Supreme Decree No. 052-2008-PCM[25] recognises citizens' rights to access public services through safe electronic means for carrying out e-government formalities with public administration entities, in the framework of what is foreseen by the Law on General Administrative Procedures.

Additionally, the ONGEI-PCM has prioritised in co-ordination with National Registration for Identification and Civil Register (RENIEC) the use and broad uptake of the digital signatures and digital certificates through the National Electronic Identification Document (DNIe), which allows signing electronic documents with the same validity and

legal effect as handwritten signatures, an attribute that Law No. 27269 granted exclusively to the digital signature.

These legal steps are paving the way towards "digitisation". In parallel, other incentives should be taken with an aim to promote Internet use and digital literacy, and get services closer to the users. One of the policies to make users acquainted with e-services has been tested in Sri Lanka (Box 6.20), where the government took initiative to reach out to citizens even if they are not digitally literate through their mobile phones. These all-inclusive digital government services seemed to work well for better inclusiveness.

Box 6.20. **Sri Lanka: All-inclusive e-services**

"Sri Lanka's One for All e-government policies have been geared towards including all segments of the population and offering services to everyone, regardless of their IT literacy levels or access to the Internet. With mobile usage rates in the country exceeding 100 per cent and even the poorest people today having cell phones, albeit basic, Sri Lanka offers many m-government services. The Government Information Centre (GIC) is now providing more than 65 online services through basic phones calls, such as train schedules, job opportunities abroad, flight schedules, exam results, economic indicators, medical services and contact details. Even though the IT literacy rates jumped from 9.7 per cent in 2004 to 40 per cent in 2012, the numbers are still not high enough to allow maximum utilization of the e-services the government provides. With the GIC, all-inclusive e-services can be delivered to the rich and poor alike and hence everyone can become a beneficiary of the digital advancement in government. This new policy of inclusiveness and outreach towards the general population helped Sri Lanka improve in e-government service delivery and to jump from 115th rank in EGDI in 2012 to 74th in 2014."

Source: United Nations (2014), "United Nations E-Government Survey 2014: E-Government for the future we want", https://publicadministration.un.org/egovkb/Portals/egovkb/Documents/un/2014-Survey/E-Gov_Complete_Survey-2014.pdf.

The Peruvian government could also pay more attention to citizen engagement. The OECD Recommendation highlights the importance to "encourage engagement and participation of public, private and civil society stakeholders in policy making and public service design and delivery". The recently established[26] permanent Multisectoral Commission for the Development of Information Society has a great potential to bring together the public sector, academia and civil society. In addition, a forum for citizens and closer co-operation with actual users of the services could be facilitated.

Germany has established a successful ecosystem by engaging with multi-stakeholders and users. The OECD advises governments to "identify and engage non-governmental organisations, businesses or citizens to form a digital government ecosystem for the provision and use of digital services". The German user councils (Box 6.21) act at all levels of the public sector and share knowledge, allowing space to co-ordinate their often-contradicting interests and find optimal solutions and business models together.

Similarly, when the government invests in a well-defined rationale for providing certain services online, it could consider business models which expect users to "give their commitment to use those digitalised services" in return. If the feedback mechanisms from the users are effectively organised and users trust they will be listened to, there might even be room making it mandatory. This needs to be analysed and proposed when several pre-requisites are fulfilled (e.g. Internet access and digital literacy of the population allows). The Danish case (Box 6.22) is an efficient, proactive solution which has proven to work in practice in the last decade.

Box 6.21. **Germany's user councils for sharing information on infrastructure and services**

In the area of services and infrastructure, the German government has set up user councils to support central and regional government agencies. The councils offer a forum for members to voice their interests and consider the views of other agencies for providing "one-for-all services (OfAs) and the basic infrastructure components – including an electronic payment platform, a central content management systems and electronic tendering via the Internet – that are necessary to deliver OfAs. User councils are involved in developing business models to ensure healthy development of the infrastructure systems."

Source: OECD (2005a), *e-Government for Better Government*, http://dx.doi.org/10.1787/9789264018341-en.

Box 6.22. **Mandatory use of digital services in Denmark through proactive channel management**

The Danish eDay is an initiative where "the Danish public sectors on a specific date fulfil certain significant goals. Denmark has had four eDays since 2003:

eDay 1: 1 September 2003, all public sector organisations in 271 municipalities, in 14 counties and in central government had to send internal written communications by e-mail only, instead of by traditional physical mail.

eDay 2: By 1 February 2005, all citizens and businesses had the right to send secure electronic communication using the common public sector digital signature and encryption to public authorities and had the right to expect secure electronic communication from public authorities.

eDay 3: It had three goals to be achieved by 1 November 2010. Each public authority had to offer secure single sign in using Nem-Login and the Danish second-generation digital signature NemID when accessing citizen-oriented online services. All citizen-oriented services had to be integrated into the Danish national citizens' portal borger.dk; all public authorities should have been ready to offer secure digital communication through Digital Post (a government authorised digital letter box).

eDay 4: This marked the transition to digital only communication between citizens and businesses, and public authorities using the government provided digital letter box – Digital Post. The initiative is part of the Danish government's push towards mandatory "digital-by-default" – demanding citizens and businesses to use the digital channel only by law. eDay 4 concluded a remarkable development of progressively introducing mandatory use of Digital Post for all. Businesses were obliged to use Digital Post by 1 November 2013 with citizens following on 1 November 2014."

Source: OECD (2014c), *Spain: From Administrative Reform to Continuous Improvement*, http://dx.doi.org/10.1787/9789264210592-en.

To sum up, the Peruvian government could consider developing an action plan to engage with the stakeholders and users. This should include identifying priorities when investing in infrastructure, education to develop digital skills, and proportionally applying a mandatory usage approach for digital services.

Paving the way to a data-driven public sector

Build on digitisation and open data to raise citizens' trust

In January 2016 the Peruvian government launched the National Strategy for Open Data (Estrategia Nacional de Datos Abiertos Gubernamentales). This strategic document was issued by the SGP-PCM and was conceived as a key contributing element to the national policy for public sector modernisation (see Chapter 2) – the Política Nacional de Modernización de la Gestión Publica – as well to the national open government agenda. The main strategic goals of the government are to promote public sector innovation and transparency, as well as economic development, through the reuse of open government data (OGD). This is much in line with the strategic approach of many OECD countries.

The government also launched the new national open data portal (www.datosabiertos.gob.pe) in January 2016, a key initiative that should support the government's efforts to boost the OGD agenda. These are key developments showing that Peru is moving forward in the right direction. Nevertheless, experiences across the OECD prove that the best results in terms of value creation have been achieved by those countries that have focused on implementation as a key enabler of value creation. The adoption of a strategy and the creation of the portal are key stepping stones but are per se insufficient conditions to create value. Data reuse is indeed a key requirement which necessitates a strong focus on all of the initiatives enabling the creation of the needed ecosystem of actors and on incentivising data reuse.

In 2015 the OECD released the OURdata Index, which is an international benchmark that aims to help strengthen governments' focus on impact and to remember that the overall objective of OGD programmes should not be on increasing data availability, but on actively fostering stakeholder engagement in data reuse. The OURdata Index is based on the OECD methodology for measuring open government data (Ubaldi, 2013), on the G8 Open Data Charter and the International Open Data Charter, encapsulating the first set of internationally agreed-upon principles on open data. This is essential, as the OURdata Index is also intended to help governments monitor their progress in implementing their international OGD commitments. Ultimately, the OURdata Index aims to support governments in designing and implementing OGD strategies that deliver value to the public. Countries ranking higher in the index are those that have placed emphasis on data reuse by different stakeholders since their first steps on OGD.

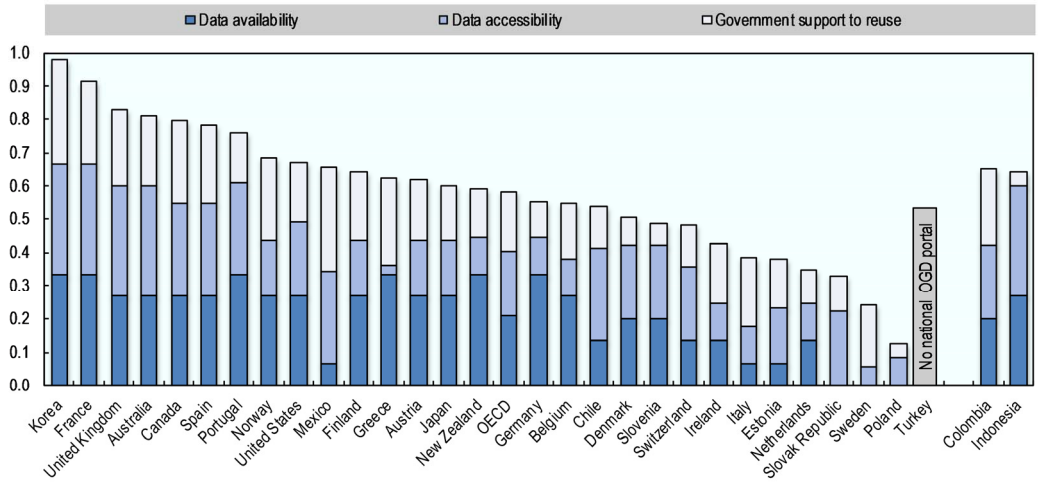
The three main axes of action foreseen by the Peruvian Open Government Data Strategy constitute an important beginning in this sense:

1. establishment of the national legal and regulatory framework for OGD
2. development of the technological infrastructure for open government data
3. promotion of initiatives and space to foster collaboration for data release in open format and data reuse.

Also, national conferences have been organised to promote the creation of a national culture and raise awareness about this topic. These observations show that Peru's strategic objectives are well defined and the Peruvian government rightfully values open data as a key enabler to open up governments, creating a "cultural change" within the public sector and boosting national competitiveness (e.g. facilitating the establishment of start-ups).

Figure 6.2. **The OECD OURData Index 2015**

Setting the conditions to deliver value



Note: Data for the Czech Republic, Hungary, Iceland, Israel and Luxembourg are not available. Data for Indonesia are for 2015.

Source: OECD (2014d), 2014 OECD Survey on Open Government Data; OECD (2015), *Government at a Glance 2015*, http://dx.doi.org/10.1787/gov_glance-2015-en.

The first international definition of "open government data" dates back to 2008, when the United States published its principles (Ubaldi, 2013). The public datasets to be considered in relation to OGD relate to, for instance, business information; registers, patent and trademark information and public tender databases; geographic information; legal or meteorological information; social data such as statistics on economics, employment, health, population and public administration; and transport information.

Since 2012 the United Kingdom (Box 6.23) has adopted an active open data policy that has brought obvious benefits to both the government and citizens and ranks the country first in the world with 97% openness based on the Global Open Data Index.[27] Several countries in Latin America, including Colombia, Uruguay (12th with 66%) and Chile (19th with 61%), are catching up with the "top runners".

The Peruvian strategy for OGD is very much in line with these approaches, and there are promising signs that the Peruvian government is building a strategy around the use and facilitation of reuse of open government data; however, so far "buy-in" appears to be limited when it comes to potential contributors to value creation (e.g. data reuser). One of the challenges the government will be facing is to guarantee coherence across the country when developing replicable solutions for open data use. Initial efforts are nevertheless showing that the government and key stakeholders of the OGD ecosystem have embarked on a process of co-operation. Still, more focus could be given to collaboration with the private and non-profit sector.

Earlier comments expressed by the OECD in 2014 (OECD, 2014b) remain relevant: the Peruvian government could consider expanding the range of stakeholders engaged through its consultation practices to increase the private sector's participation and input. This would be particularly beneficial during the policy implementation and feedback stage (e.g. to strengthen the knowledge of data demand and prioritise data release based on these insights) and to exploit the added value of open data (OECD, 2014b).

Consultation and exchange with the community of data reusers is essential to create a trustworthy public sector.

Box 6.23. **Public Sector Transparency Board: Public data principles**

The principles, drawn up by the Public Sector Transparency Board and revised as a result of consultation, are as follows:

1. Public data policy and practice will be clearly driven by the public and businesses that want and use the data, including what data are released when and in what form.
2. Public data will be published in reusable, machine-readable form.
3. Public data will be released under the same open licence which enables free reuse, including commercial reuse.
4. Public data will be available and easy to find through a single, easy-to-use, online access point.
5. Public data will be published using open standards, and following relevant recommendations of the World Wide Web Consortium (W3C).
6. Public data from different departments about the same subject will be published in the same standard formats and with the same definitions.
7. Public data underlying the government's own websites will be published in reusable form.
8. Public data will be timely and fine-grained.
9. Release data quickly, and then work to make sure that it is available in open standard formats, including linked data forms.
10. Public data will be freely available to use in any lawful way.
11. Public data will be available without application or registration, and without requiring details of the user.
12. Public bodies should actively encourage the reuse of their public data.
13. Public bodies should maintain and publish inventories of their data holdings.
14. Public bodies should publish relevant metadata about their datasets and this should be available through a single online access point; and they should publish supporting descriptions of the format provenance and meaning of the data.

Source: Public Sector Transparency Board (2012), "Public Data Principles", http://data.gov.uk/library/public-data-principles.

Gaining citizens' trust is a central issue to be tackled by the Peruvian government. Similar to other governments like Brazil, Costa Rica, Colombia and Mexico,[28] the government of Peru has started and should continue to embrace open data policy for government data and information, in particular for its expected positive impact on economic performance. When aiming for transparency, most countries experience anti-corruption and democratic benefits of the open data policy. For example:

- In Brazil, the online platform www.participa.br allows citizens to participate and discuss government programmes and policies.
- In Uruguay, some ministries like the Ministry of Transport and Public Works have implemented programmes on participatory budgeting".[29]

- The Mexican government put in place a mechanism to ensure the transparent use of the disaster relief fund (FONDEN) in the country. By publishing the allocation of disaster relief funds online on the central OGD portal (www.datos.gob.mx), the Mexican government contributes to public transparency and social accountability; therefore, empowering citizens to monitor the use of the fund, and to visualise, download and reuse the data without any restrictions.

One of the needs associated with fostering OGD previously mentioned relates to promoting a "culture change" and enhancing collaboration among the different stakeholders inside and outside the public sector. In addition to the awareness-raising efforts mentioned earlier, the ONGEI has been conducting workshops and seminars to increase digital literacy and knowledge on open government, and to train individuals and officials at regional and local levels. In a similar context, the Chilean government (Box 6.24) decided to establish a "public innovation lab to foster the reuse of open data to driver public sector innovation".

Box 6.24. **Chile's innovation lab**

As part of Laboratorio de Gobierno's mission to understand and solve public issues, Laboratorio de Gobierno will work to install a new culture in government. It will work to create a movement of people that can take up this new culture and make it their own both inside and outside government; and it will work to imagine, design and support the implementation of changes in public services that are perceived by the citizenry as relevant and useful. The ultimate challenge for us will be to move from promise to implementation in each of these areas of work.

Source: OECD's own work.

To sum up, the Peruvian government has embarked on building a strategic approach to open government data. In strengthening its capacity to achieve results, it could put more emphasis on the potential benefits of using open data from a transparency and anti-corruption point of view, as well as for delivering economic and social value. As indicated by the OECD (Ubaldi, 2013), the open data policy could be a "pioneer" in building a new collaboration culture, especially in terms of engaging with the private sector and non-governmental organisations.

As it has been previously outlined, leadership and institutional capacity should be strengthened in the digital government area, including the knowledge acquisition related to data management and open government data policy. This is critical to support the fostering of a data-driven public sector. In Peru it appears that data are yet to be seen as a strategic asset to support improved planning and decision making within the administration, as well as for public engagement in policy making and for value creation.

At the strategic level, across the OECD the most forward-looking governments are taking steps to establish a context conducive to the type of modern administration envisaged by the *OECD Recommendation on Digital Government Strategies* (see Principle 3 on data-driven public sector). This implies the "development of frameworks to enable, guide and foster access to, use and reuse of, the increasing amount of evidence, statistics, data concerning operations, processes and results to a) increase openness and transparency, and b) incentivise public engagement in policy making, public value creation, service design and delivery". Programmes and strategies for OGD appear to be,

in many instances, the starting point of broader policies built on the recognition of government data and information as a key resource for public sector performance.

Optimise co-operation within the ecosystem to produce trustworthy sound data

Open data initiatives in Peru have started at the local level: the Metropolitan Municipality of Lima (MML) and the Municipality of Miraflores have developed their respective open data portals (Box 6.25).[30]

Box 6.25. **Key websites and developments for open data in Peru**

Open Data Portal of the Metropolitan Municipality of Lima: http://lima.datosabiertos.pe/home.

Open Data Portal of the Municipality of Miraflores: http://datosabiertos.pe/?reqp=1&reqr=.

Prototype applications developed in relation to local use of open data:

Based on the experiences of the above-mentioned local governments, prototype apps are developed linked to the needs of citizens and enterprises: encuentra.pe and https://itunes.apple.com/pe/app/museos-lima/id587180517?mt=8.

Concytec (National Council for Science, Technology and Innovation) has developed an open data science and technology research work repository: http://alicia.concytec.gob.pe/vufind/.

Source: OECD desk research and the Peruvian government's reply to the OECD questionnaire carried out for this review.

Nevertheless, these developments have so far remained "isolated" in the absence of a co-ordinated strategy which cuts across government levels and can facilitate the sharing of knowledge and experiences. The OECD Recommendation advises governments to "balance the need to provide timely official data with the need to deliver trustworthy data, managing risks of data misuse related to the increased availability of data in open formats (i.e. allowing use and reuse, and the possibility for non-governmental actors to reuse and supplement data with a view to maximise public economic and social value). The Peruvian government recognises this challenge and the recent release of the national open data portal (www.datosabiertos.gob.pe) is part of the actions planned to tackle it. This can become an important platform to foster collaboration with different actors within the open data ecosystem to co-create data, services and value in broader terms. For this to happen the government should not only focus on increasing data availability, but also on boosting opportunities for data reuse, learning from the good practices implemented at the municipal level.

A further concern in relation to open government data is the quality of the data, which has a significant impact on whether it can be used for any public (e.g. policy making) or personal (e.g. information on traffic, transport) use. Open formats and co-operation among the data producers and users is essential as it can also help to improve data quality. To maximise the social and economic value, governments are making efforts to develop cost-efficient solutions. One key element is to create a "space" for data-sharing and allow multiplied use through standardisation mechanisms (e.g. open formats). It has been reported that cases similar to the Austrian solution (Box 6.26) can bring savings and encourage the participation of a broad range of organisations.

Box 6.26. **Austria's one-stop open government data metaportal and city of Vienna**

"Since 2012 Austria has established a 'One-Stop Open Government Data Metaportal'. There is a development of the nationwide portal for open government data (www.data.gv.at/). The new features here are the revised interface, new filter options on data records and resulting applications, as well as visible links between data records and the applications. It is possible for the participating organisations to enter data themselves and also to save administration data on the platform.

By the end of 2013, more than 1 000 data records were published by more than 20 contributing organisations and around 200 applications created, based on these.

Co-operation agreement for the operation of data.gv.at: the city of Vienna, the Federal Ministry of Finance and the Federal Chancellery have concluded a contract with the Federal Computing Centre for the operation and usage of the nationwide one-stop open government data portal (www.data.gv.at/).

All public organisations can not only contribute meta data records on data.gv.at but also save their data records for a fee. For instance, the city of Vienna uses the CKAN instance of data.gv.at and now displays the information via an interface at wien.gv.at. The costs for operating their own portal can thus be hugely reduced by joint usage. All public organisations can join the co-operation; the services CKAN operation, interface to the CMS and saving of data records can be agreed. The contribution of meta data continues to be possible and also requested for all public organisations without additional agreement and costs. A user manual is available at: www.data.gv.at/handbuch.

Source: Digital Austria website, www.digitales.oesterreich.gv.at.

A further step for the Peruvian government's consideration is to create a platform open to citizens' input which has the value of being a real space for collaboration. This has been pioneered in France: in 2013, Etalab (the Task Force under the French Prime Minister's Office within the General Secretariat for the Modernisation of Public Action) launched a new version of the www.data.gouv.fr platform, which was the first government platform opened to contribution by all citizens. The new version of the portal was conceived as a platform for engagement among actors in the OGD ecosystem. Hence, the government plays the role of moderator. Driven by a "data users' perspective", the platform ensures easy access to data and provision of data which can be uploaded by non-institutional actors as well. Additionally, it provides visibility for the data producers on a single "wall" on all the activities related to their dataset. By interacting with all government agencies, innovators and civil society representatives, by entering into a dialogue around data, it naturally generated opportunities for increasing transparency, participation and collaboration. The French approach has spurred collaboration that has resulted in innovative examples such as the collaborative and free French National Address Database (Base Adresse Nationale) launched in April 2015.

In line with the above practices, the Peruvian government could facilitate joint usage of the portal and set standards for using open formats in order to generate trustworthy data through optimal cost efficiency.

Recommendations

In light of the assessment presented in this chapter, to design and implement digital government in a way that advances the government's strategic objectives of stimulating national and regional growth, development and well-being, addressing regional disparities and meeting the service needs of all citizens regardless of where they reside in the country, the government could consider the following recommendations:

1. Set digital government at the heart of public sector reform

- Adopt a broader concept of digital government than e-government and implement it by reformulating the current e-government strategy to integrate the use of digital government as a key strategic tool or enabler in the government's pursuit of its overall public sector reform agenda. This would imply identifying complementarities, and ensuring alignment and mutual reinforcement between the digital government strategy and other relevant sector strategies at the national and local levels of government.
- Engage regularly and strategically with the relevant stakeholders, and all levels of government, to capture input to the further development of the digital government strategy that should establish a coherent approach towards public sector digitisation and related priorities in the various sectors and across levels of government.
- Embed a vision in the strategy that builds on a "long-term consensus" of all the relevant stakeholders and supported by a coherent action plan shared across sectors and government levels. This would help create collective commitment and facilitate a shift from isolated developments and pilot projects to joint efforts or initiatives that can be scaled up.

2. Secure leadership for more robust governance, management and planning

- Revisit the governance framework to ensure high-level commitment and support to the digital strategy. To this end, the government could create a stable institutional framework with a senior position formally responsible for setting the strategic direction for digital government (e.g. a CIO), building on the existing National E-government and Information Technology Office in the PCM, and set clear roles and responsibilities for digital government co-ordination (including a mechanism to align overall strategic choices on investments in digital technologies with technological deployment in various policy areas supporting overall policy outcomes).
    - The position needs to be of a sufficiently high level to exert political and policy influence (e.g. a secretary general, on par with the heads of CEPLAN, the SGP, etc.), and be located in the centre of government (see below).
    - The CIO needs to be able to count on co-ordination mechanisms to work in close and ongoing co-operation with the other units in the PCM responsible for all aspects of governance reform and the national development strategy (e.g. CEPLAN, Secretariat for Public Governance Reform, SERVIR, Decentralisation Secretariat).
- The right space and value has to be given to the National Advisory Council on Statistics (Consejo Consultivo Nacional de Estadística e Informática), gathering representatives from the civil society, the private sector and the public sector. It can play a key role in relation to the legitimacy, prioritisation and responsiveness of concrete actions undertaken to implement the digital government policy. For its functioning to be efficient, it would be necessary to set clear agendas with defined objectives and ensure good representativeness of the private sector and of civil society. This can be used to set multi-sector objectives and also help to better articulate the interaction within levels of government.
    - The above would complement the existing co-ordination mechanisms led by the ONGEI as highlighted in this chapter. This would include efforts made by the ONGEI since 2003 to co-ordinate the actions of various actors for a

coherent development of digital government, by leading the CCOI and CCONI (i.e. collegiate bodies composed of non-institutional representatives as well as heads of services of public entities), as well as the ONGEI's actions enacted through the CODESI to collaborate with representatives of the public and private sectors, academia and the civil society, aligned with the OECD definition of digital government co-ordinated governance. However, it is necessary to empower the ONGEI so that this co-ordination mechanism can be supported by the necessary resources to ensure proper and efficient performance, and operations nationwide.

- Build an effective organisational and financial structure for digital government to mainstream the digital strategy within the government's main multi-year development and modernisation plans, to provide the methodological support for managing digital government projects across levels of government, linking policy and funding, and to establish efficient and effective implementation and performance monitoring processes. This capacity could be built around the existing National e-Government and Information Technology Office and report to the CIO within the PCM.
  - The ONGEI, thus transformed into a true CIO, could be included in the cluster of secretariats and entities to report to the Vice-Minister of National Strategy and Public Administration Modernisation, if this position is created in response to the recommendation in Chapter 2 on the centre of government.
  - Define and implement a robust evaluation and measurement framework for the digital government strategy that includes medium- and long-term strategic outcomes and their requisite performance targets and indicators for better service delivery that improve results for people regardless of where they live in the country, and immediate-term outputs and results indicators for project performance at all levels of government, to ensure efficient project management and overview mechanisms, with the availability at any time of a comprehensive picture of ongoing digital initiatives to avoid duplication of systems and datasets.
- Identify funding mechanisms (e.g. FONCOMUN) to ensure adequate investments in the development of the right level of digital skills across the administration in the whole country.
- Procure digital technologies based on an assessment of existing assets and inter-agency agreements to increase efficiency, support innovation and best sustain objectives stated in the overall public sector modernisation agenda.

3. Pursue digitisation using a coherent, integrated approach across the country

- Move away from isolated developments and projects and create a critical mass of good practices to share, promote and support the scaling up of successful initiatives – particularly those with a strong users' perspective, such as mobile apps and the open data example in Miraflores municipality.
- In line with the main findings of Chapter 7, take advantage of IT to strengthen public engagement and the interaction with the public. This can aim to encourage public engagement and participation in policy making, service design and delivery, e.g. of citizens, the private sector and non-governmental actors. This could include conducting

early sharing, testing and evaluation of prototypes with the involvement of expected users.

- Address the shift to transactional services through proactive channel management and making information on services (e.g. on costs and time) more visible, more user-friendly and transparent.
- Identify key cross-cutting priority areas for the whole public sector on which to focus efforts and investments, such as high-impact services, "life events", digital skills, ICT security, standardisation and digital inclusion. Similar to what the ONGEI has been doing to promote and distribute for free the Document Processing System with Digital Signature (through the Portal of Public Software: www.softwarepublico.gob.pe), which allows public entities to manage digitally signed documents, which contributes to the strengthening of the Zero Paper Offices (Paperless Office).
- Support the implementation of legal changes and make effective use of the key horizontal enablers (e.g. interoperability) in order to ensure a real impact on citizens' lives through a more integrated and easily accessible administration.

4. Pave the way to a data-driven public sector

- Develop and secure the political leadership's commitment to implement a strategy on shifting to a data-driven culture in the public sector and promoting open government data, building on the recent establishment of the national open data portal (developed by the ONGEI in co-ordination with the SGP).
- Further develop the national open government data portal with the idea of making it a platform open to citizens' contributions and facilitating data accessibility and reuse.
- Plan and execute a framework on open data, with guidance allowing the collection and publication of quality data in open formats.
- Allow and promote the production, use and reuse of open data among government and non-governmental actors, in order to maximise the delivery of benefits from good governance, economic and social value perspectives.

Notes

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Chapter 7.

Open government in Peru

This chapter assesses Peru's open government reform agenda including the initiatives taken to promote stakeholder engagement at the central and local levels. It benchmarks Peru against OECD instruments, standards and principles. The chapter recognises the Secretariat of Public Management in the Presidency of the Council of Ministers as a key actor. This body is in charge of co-ordinating, designing and implementing open government policies in Peru. The chapter also acknowledges recent efforts to incorporate open government principles into the ongoing public sector reform efforts. The chapter concludes with a set of recommendations to support Peru's open government agenda.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Introduction

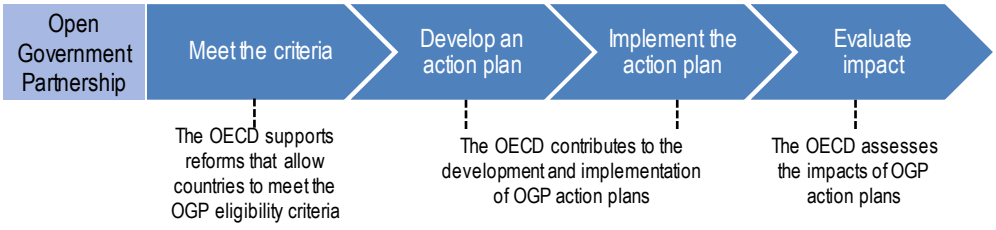
The purpose of this chapter is to assess the relevance of Peru's open government (OG) initiatives within the broader framework of the ongoing public sector reform efforts the country is undertaking and that are the focus of this review. This assessment makes specific reference to the role played by stakeholder engagement initiatives at the central and local levels. The chapter also provides an update on the information contained in the case study on open government in Peru in *Open Government in Latin America* (OECD, 2014); in so doing it assesses progress in relation to the previous recommendations. The chapter benchmarks Peru against OECD instruments, standards and principles; highlights good practices; and identifies areas where further improvement could be pursued by the government to align more clearly Peruvian OG policy with international good practice in this area.

The role of citizens' participation in the policy cycle from an OECD perspective

The methodology[1] used in this chapter, reflects the OECD approach to open government, which in turn is based on the OECD's Guiding Principles for Open and Inclusive Policy Making and its extensive experience in working with member and non-member governments to conduct Public Governance Reviews and Open Government Reviews. The assessment and recommendations presented in this chapter reflect the ongoing collaboration between the OECD and the Open Government Partnership (OGP), to which the OECD is supporting OGP member countries and candidate countries to join, develop their action plans and carry them forward to implementation.

Figure 7.1. **The OECD supports the Open Government Partnership**

As an official multilateral partner of the Open Government Partnership (OGP) since 2013, the OECD supports current and aspiring members by providing policy advice and technical assistance to implement the reforms necessary to meet the OGP eligibility criteria, draft and implement the OGP action plans, and assess their impact.



Source: OECD (2015), Open Government Brochure.

OECD approach to open government

The OECD has been at the forefront of international efforts to promote and disseminate open government policies and practices for over ten years. Open government brings together a range of issues related to how government interacts with citizens and other stakeholders. Figure 7.2 summarises the main features of an open government.

Since 2001, the OECD has collected and analysed information demonstrating the importance of citizens' participation in the design and implementation of better public policies and in the delivery of citizen-centred public services. In collaboration with senior public officials from member countries committed to improve government-citizen

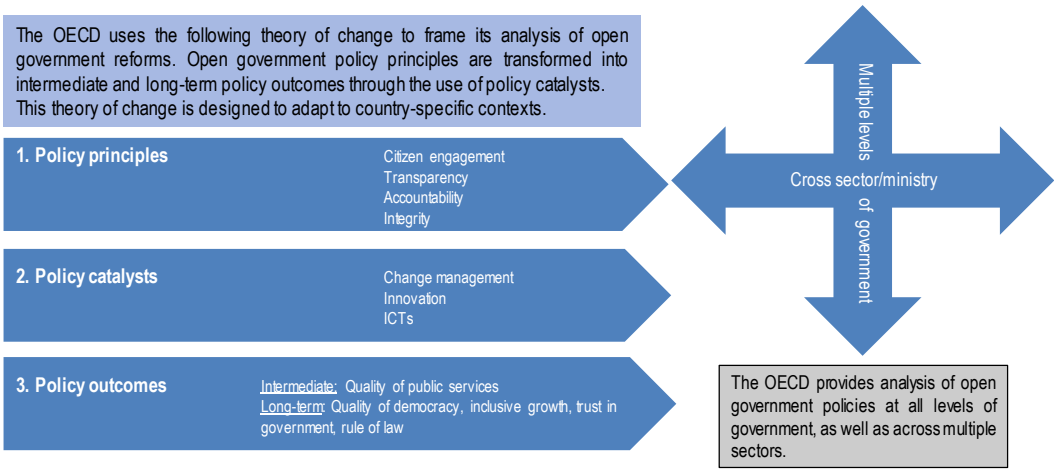
relations, a set of principles was developed to guide the implementation of open government policies and ensure their success (OECD, 2001; 2009), shown in Box 7.1.

Box 7.1. **Guiding Principles for Open and Inclusive Policy Making**

1. **Commitment:** Leadership and strong commitment to open and inclusive policy making is needed at all levels – politicians, senior managers and public officials.
2. **Rights:** Citizens' right to information, consultation and public participation in policy making and service delivery must be firmly grounded in law or policy. Government obligations to respond to citizens must be clearly stated. Independent oversight arrangements are essential to enforcing these rights.
3. **Clarity:** Objectives for, and limits to, information, consultation and public participation should be well defined from the outset. The roles and responsibilities of all parties must be clear. Government information should be complete, objective, reliable, relevant, and easy to find and understand.
4. **Time:** Public engagement should be undertaken as early in the policy process as possible to allow a greater range of solutions and to raise the chances of successful implementation. Adequate time must be available for consultation and participation to be effective.
5. **Inclusion:** All citizens should have equal opportunities and multiple channels to access information, be consulted and participate. Every reasonable effort should be made to engage with as wide a variety of people as possible.
6. **Resources:** Adequate financial, human and technical resources are needed for effective public information, consultation and participation. Government officials must have access to appropriate skills, guidance and training as well as an organisational culture that supports both traditional and online tools.
7. **Co-ordination:** Initiatives to inform, consult and engage civil society should be co-ordinated within and across levels of government to ensure policy coherence, avoid duplication and reduce the risk of "consultation fatigue." Co-ordination efforts should not stifle initiative and innovation but should leverage the power of knowledge networks and communities of practice within and beyond government.
8. **Accountability:** Governments have an obligation to inform participants how they use inputs received through public consultation and participation. Measures to ensure that the policy-making process is open, transparent and amenable to external scrutiny can help increase accountability of, and trust in, government.
9. **Evaluation:** Governments need to evaluate their own performance. To do so effectively will require efforts to build the demand, capacity, culture and tools for evaluating public participation.
10. **Active citizenship:** Societies benefit from a dynamic civil society, and governments can facilitate access to information, encourage participation, raise awareness, strengthen citizens' civic education and skills, as well as support capacity building among civil society organisations. Governments need to explore new roles to effectively support autonomous problem-solving by citizens, civil society organisations and businesses.

Sources: OECD (2001), *Citizens as Partners: Information, Consultation and Public Participation in Policy-Making*, http://dx.doi.org/10.1787/9789264195561-en, updated in OECD (2009), *Focus on Citizens: Public Engagement for Better Policy and Services*, http://dx.doi.org/10.1787/9789264048874-en.

Figure 7.2. **OECD open government – Theory of change**



Source: OECD (2015), Open Government Brochure.

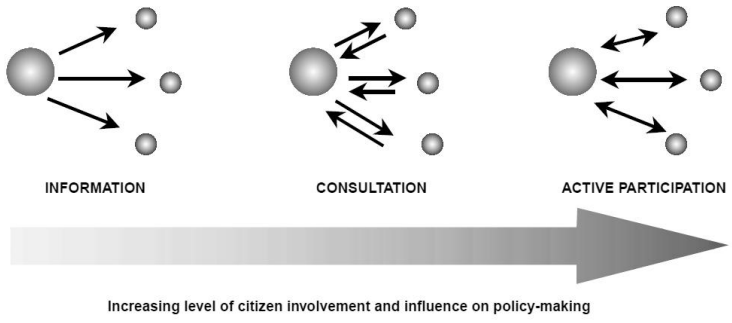
These principles reflect the belief that governments, in order to reap fully the benefits of active interaction with their citizens, should inform and consult them and actively engage with them not merely as subjects, but as partners. These relationships are defined by the OECD (Figure 7.3) as follows (OECD, 2001):

- **Information is a one-way relationship** in which government produces and delivers information for use by citizens. It covers both "passive" access to information upon demand by citizens and "active" measures by government to disseminate information to citizens. Examples include: access to public records, official gazettes and government websites.
- **Consultation is a two-way relationship** in which citizens provide feedback to government. It is based on the prior definition by government of the issue on which citizens' views are being sought and requires the provision of information. Governments define the issues for consultation, set the questions and manage the process, while citizens are invited to contribute their views and opinions. Examples include: public opinion surveys, comments on draft legislation.
- **Active participation is a relation based on partnership** with government, in which citizens actively engage in defining the process and content of policy making. It acknowledges equal standing for citizens in setting the agenda, proposing policy options and shaping the policy dialogue – although the responsibility for the final decision or policy formulation rests with government. Examples include: consensus conferences, citizens' juries.

Based on more than a decade of policy analysis, data collection and elaboration, OECD member countries have shown that open government policies can be used successfully to improve the efficiency and effectiveness of the public administration and increase the transparency and accountability of the public sector as a whole (government and public administration alike). These improvements open the door to positive effects on citizens' trust and hence on good governance and democracy, promote economic development and ultimately generate inclusive growth. To manage consultation and co-operation in an effective manner, it is key that government, civil society organisations (CSOs) and other stakeholders establish and use a set of consistent guidelines that translate the above principles into practical procedures. Box 7.2 presents a number of

factors that should be taken into consideration in designing a specific consultation and tailoring the overall guidelines to the needs of a particular case.

Figure 7.3. **Defining information, consultation and active participation**



Source: OECD (2001), *Citizens as Partners: Information, Consultation and Public Participation*, http://dx.doi.org/10.1787/9789264195561-en.

Box 7.2. **Understanding the key factors in citizen participation**

Citizen participation can take a wide variety of forms depending on the presence and extent of many key features.

- **Size.** Size of a process can range from a few participants to hundreds or thousands, and online processes potentially involve millions.
- **Purpose.** Processes are used for many reasons: to explore an issue and generate understanding, to resolve disagreements, to foster collaborative action or to help take decisions, among others.
- **Goals.** Objectives can include informing participants, generating ideas, collecting data, gathering feedback, identifying problems or taking decisions, among others.
- **Participants.** Some processes involve only expert administrators or professional or lay stakeholders, while others involve selected or diffuse members of the public.
- **Participant recruitment.** Processes may use self-selection, random selection, targeted recruitment and incentives to bring people to the table.
- **Communication mode.** Processes may use one-way, two-way and/or deliberative communication.
- **Participation mechanisms.** Processes may occur face-to-face, online and/or remotely.
- **Named methodology.** Some processes have official names and may even be trademarked; others do not employ named methodologies.
- **Locus of action.** Some processes are conducted with intended actions or outcomes at the organisational or network level, whereas others seek actions and outcomes at the neighbourhood or community level, the municipal level, the state level, the national level or even the international level.
- **Connection to policy process.** Some processes are designed with explicit connections to policy and decision makers (at any of the loci listed above), while others have little or no connection to policy and decision makers, instead seeking to invoke individual or group action or change.

Source: Nabatchi, T. (2012), "A manager's guide to evaluating citizen participation", www.businessofgovernment.org/report/manager%E2%80%99s-guide-evaluating-citizen-participation.

Policy makers in OECD countries broadly agree that promoting an open and inclusive government is a prerequisite for building trust between citizens and governments and promoting a transparent and accountable government. An open government also promotes a level playing field for businesses, thus contributing to economic development. Accordingly, they have put in place a number of mechanisms that facilitate fair and equitable access to information and services for all stakeholders and leverage the opportunities for citizen's engagement in the policy-making process (OECD, 2013).

As part of their efforts to promote an open government, OECD countries adopted the above-mentioned guiding principles (see Box 7.1) that recognise that citizen participation in the policy cycle contributes to further transparency and accountability of governments and leads to building trust between citizens and their public administration. However, to strengthen this relationship, among other things, governments need to ensure that:

- there is a national open government strategy or plan that includes a component on citizen participation; its principles and implications are well understood horizontally in line ministries and across levels of government; public officials throughout the administrations have the necessary capacities to implement initiatives in an inclusive and participatory manner
- citizens and CSOs are actively involved in the entire policy cycle and on a continuous basis
- complete, objective, reliable, relevant and easy to understand information is made available in order for governments to be exposed to public scrutiny.

Examples of mechanisms that have been implemented across OECD countries include national open government policies or directives (i.e. the United States[2,3] and Canada)[4], open government action plans (i.e. all OGP members)[5], ad hoc or permanent steering committees specifically dedicated to the management and implementation of the open government agenda at national (i.e. in Tunisia)[6] or local levels (i.e. the state of New York)[7], access to information (or freedom of information) laws (almost all OECD countries), more or less formal two-way citizen engagement mechanisms, often enabled by the use of information and communications technology (ICTs).

Policy and legal frameworks for participation in Peru

Peru has demonstrated a long-standing willingness to achieving stronger government-citizen relations and to improve policy making and service provision through the enhancement of openness, transparency and participation in the policy-making processes. Open government principles have been included as a building block of its democracy since the adoption of the 1993 Constitution, where access to information was set as a fundamental right (Article 2, item 5) and in Law 27245 of 1999 on Fiscal Prudence and Transparency (*Ley de Prudencia y Transparencia Fiscal*). They also constitute a cross-cutting theme in the 2013 National Policy for the Modernisation of Public Administration and its related implementation plan (*Política Nacional de la Modernización de la Gestión Publica* DS 004-2013-PCM and *Plan de Implementación* RM 125-2013-PCM).

In addition, Peru's prioritisation of openness was included as an essential aspect of the National Agreement (*Acuerdo Nacional*) of 2002 (OECD, 2014; see below and Chapter 2). As described in Chapter 2, the National Agreement is a consultation and consensus-building institutional mechanism whose main purpose is to define state reform

objectives and related policies with a long-term vision (to 2021), based on dialogue and consultation. Objective 4 of the National Agreement, "An efficient, transparent and decentralised state", clearly sets the basis for a more open, transparent and inclusive government. It is supported by three specific policy objectives:

1. confirmation of an efficient and transparent state
2. promotion of ethics and transparency and eradicating corruption, money laundering, tax evasion and smuggling in all its forms
3. access to information, freedom of expression and freedom of the press.

Reflecting this, over the years Peru has established a series of provisions that have contributed to strengthening the legal framework for an open and participatory government (Box 7.3), with the notable feature that citizen participation enjoys broad protections at all levels of government. In June 2009, Peru signed the Ibero-American Charter on Citizen Participation in Public Administration, which sets out a series of public policy implementation guidelines in this area.

Box 7.3. **Legal framework for citizens' participation in Peru**

Constitution

- Article 2, subsection 17 – Participate individually or collectively, in political, economic, social and cultural life of the nation. Citizens have, according to the law, rights of election, removal or revocation of authorities, rights of legislative initiative and rights of referendum.
- Article 5, subsection 5 – "Everyone has the right to express the information which she or he wants to obtain from any public entity without giving the cause at the legal term with the costs according to the order".
- Article 31 – Citizens have the right to participate in public affairs through referendum; legislative initiative, removal or revocation of authorities and demand for accountability. They also have the right to be elected and to freely elect their representatives, in accordance with the conditions and procedures specified by organic law. It is the right and duty of residents to participate in the municipal government of their jurisdiction.
- Article 41 – The civil servants and public servants mentioned by law or who administer funds of the state or bodies affiliated with these funds shall declare juristically their assets and incomes when taking office, as well as when ending their time in office.
- Article 199 – Established that the regional and local governments formulate their budgets with the participation of society and render account of their performance, annually under the responsibility in accordance with the law.

Laws and decrees

- Law 26300 of 1994, Law on the Right of Participation and Citizen Control (*Ley sobre los Derechos de Participación y Control Ciudadanos*).
- Law 27245 of 1999, Law on Prudence and Fiscal Transparency (*Ley de Prudencia y Transaprencia Fiscal*).
- Supreme Decree No. 001-2000-JUS, regulates the use of advanced technology in the area of archiving the documents and information to public and private entities.

Box 7.3. **Legal framework for citizens' participation in Peru** (*continued*)

- Supreme Decree No. 018-2001-PCM, provided that the entities of the public sector incorporate a procedure in their legal texts on administrative procedures to facilitate citizens' access to information, which the citizens own or produce.
- Decree of Urgency 035-2001, Access for Citizens to Public Finances (*Acceso Ciudadano a Información sobre Finanzas Públicas*).
- Law 27482 of 2001, Law Regulating the Publication of the Disclosure of Revenue, Property and Income of Civil Servants and Public Officials (*Ley que Regula la Publicación de la Declaración Jurada de Ingresos y de Bienes y Rentas de los Funcionarios y Servidores Públicos del Estado*).
- Law 27444 of 2001, Law of the General Administrative Procedure (*Ley del Procedimiento Administrativo General*), establishes "mechanisms for the reception of complaints and other mechanisms of citizen participation" (Article 48.3). Article 110.1 – the right to petition includes the request for information, possessed by the entities, following the intended regime as laid down in the Constitution and the law. It also acknowledges citizens' participation as a tool to enhance the performance of the public administration.
- Decree of Urgency 077-2001, creation of the Portal of Economic Transparency and Office for Economic and Citizen Information.
- Supreme Decree No. 166-2001-EF, approval of the incorporation of the Office for Economic and Citizen Information in the organic structure of the Ministry of Economy and Finance.
- Supreme Decree No. 060-2001-PCM, state portal of Peru as an interactive system of information to the citizens via the Internet.
- Director's Resolution 234-2001-INEI "Norms and technical procedures of the web content in the public administration entities".
- Law 27658 of 2002, Framework Law for the Modernisation of the State Administration (*Ley Marco de la Modernización de la Gestión del Estado*).
- Law 27783 of 2002, Law of the Basis of the Decentralisation (*Ley de Bases de la Descentralización*), which provides that regional and local governments are obliged to promote citizen participation in the formulation, discussion and co-ordination of development plans and budgets, and in public management. For this purpose they must ensure access to public information for all citizens, with the exceptions provided by law, and the establishment and operation of spaces and mechanisms of consultation, co-ordination, control, evaluation and accountability.
- Law 27806 of 2002, Law of Transparency and Access to Public Information (*Ley de Transparencia y Acceso a la Información Pública*) modified by Law 27927 of 2003.
- Supreme Decree No. 030-2002-PCM, Regulation of the Law of the Modernisation of the Public Administration.
- Law 27838 of 2002, Law of Transparency and Simplification of the Regulatory Procedures of Tariffs (*Ley de Transparencia y Simplificación de los Procedimientos Regulatorios de Tarifas*).
- Law 27867 of 2002, Organic Law of the Regional Governments (*Ley Orgánica de Gobiernos Regionales*), Article 8 provides that regional management will develop and make use of instances and concrete strategies for citizens' participation in the different phases of formulation, monitoring, control and evaluation of public management, and of the implementation of plans, budgets and regional projects.

Box 7.3. **Legal framework for citizens' participation in Peru** (*continued*)

- Law 28056 of 2002, Framework Law of Participatory Budget (*Ley Marco del Presupuesto Participativo*).
- Supreme Decree No. 043-2003-PCM, approval of the legislative text of the Law 27806, Law on Transparency and Access to Public Information.
- Supreme Decree No. 072-2003-PCM, approval of the Regulation of the Law on Transparency and Access to Public Information.
- Supreme Decree No. 095-2003-PCM: modified Article 2 of the Regulation of the Law on Transparency and Access to Public Information.
- Law 28044 of 2003, General Law of Education (*Ley General de Educación*), Article 2, members of the indigenous population shall be empowered to actively participate in education programs (Article 20.d). In addition, Article 69 establishes various bodies of citizen oversight and participation, such as the Institutional Education Council (*Consejo Educativo Institucional*).
- Supreme Decree No. 059-2004-PCM administration of the "Portal of the State Peru".
- Supreme Decree No. 032-2006-PCM, Portal of Services to Citizens and Enterprises.
- Directive 02-2006-CG Citizen Watchdog Procedure in Public Entities (*Veeducaría Ciudadana*) approved by Comptroller's Resolution 155-2006-CG, which "enables the organized participation of the citizenry in governmental oversight activities through citizen watchdog organizations, for the purposes of which the Office of the Comptroller General will participate by providing training and technical advisory services for members of the public who engage in citizen oversight, in order to ensure that their efforts contribute to the technical activities performed by the National Oversight System in the exercise of governmental control".
- Law 29158 of 2007 Organic Law of the Executive Branch (*Ley Órganica del Poder Ejecutivo*).
- Decision of the Comptroller Office No. 273-2007-CG, Citizen Brigades of the Comptroller General of the Republic (*Brigadas Ciudadana de la Contraloría General de la República*), created with the aim of becoming a support mechanism for the preventive control and oversight of the Comptroller General of the Republic.
- Supreme Decree No. 027-2007-PCM approved the national politics of obligatory compliance with the entities of the national government.
- Supreme Decree No. 002-2009-MINAM, Regulation for Transparency, Access to Public Information and Citizen Participation and Consultation in Environmental Affairs.
- Supreme Decree No. 142-2009, Regulation of the Law on the Framework of Participatory Budget (*Reglamento de la Ley Marco del Presupuesto Participativo*) includes civil society in the budgetary processes on the regional and local level (Article 7.1). Eventually, citizen participation in implementation, control and sustainability of the investment projects shall lead to higher social commitment (Article 7.2).

Box 7.3. **Legal framework for citizens' participation in Peru** (*continued*)

- Supreme Decree 002-2009-MINAM, Regulation on Transparency, Access to Environmental Public Information and Citizens Participation and Consultation in Environmental Matters (*Reglamento sobre Transparencia, Acceso a la Información Pública Ambiental y Participación y Consulta Ciudadana en Asuntos Ambientales*) seeks to enhance access to information and active citizen participation. Article 26 "Public agencies with environmental responsibilities must have qualified personnel to conduct public participation procedures. Moreover, they shall organise capacity training for its personnel with the goal of developing effective participation, based on the principles of inclusion, efficiency, collaboration and co-operation". Citizen participation shall be reflected in the following processes:
  - elaboration and diffusion of information on the environment
  - design and application of policies, norms and instruments of environmental expenditures
  - evaluation and implementation of projects of public expenditures, including projects on natural resources
  - follow up, control and environmental monitoring, including the complaints for infringements to the environmental legislation or dangers or violations of the environmental rights and citizen vigilance (Article 28).
- Supreme Decree 063-2010-PCM, approved the implementation of the Portal for Transparency Standards in the Public Administration Entities.
- Ministerial Resolution 200-2010-PCM, approved Directive 01-2010-PCM/SGP, Guidelines for the Implementation of the Portal for Transparency Standards in the Public Administration Entities.
- Supreme Decree 063-2010-PCM, Implementation of the Portal for Transparency Standards in the Public Administration Entities.
- Law 29785 of 2011, Law of the Right to Prior Consultation with Indigenous and Rural Communities (*Ley del Derecho a la Consulta Previa a los Pueblos Indígenas u Originarios*), recognised in the 169 Convention of the International Labour Organization.
- Supreme Decree 028-2011-EM created the Permanent Multisector Commission for the Monitoring and Supervision of Transparency in the use of resources which are obtained by the state for the development of extractives industries of mining and hydrocarbon.
- Supreme Decree 004-2013-PCM, National Strategy of Modernization of Public Administration and Implementation Plan (RM 125-2013-PCM).

Source: Government of Peru.

However, despite this comprehensive legal framework, it appears that its impact has been limited. This is recognised by the government itself in its responses to the Mechanism for Follow-up on the Implementation of the Inter-American Convention against Corruption (MESICIC) questionnaire, in which it stated that "the provisions have been inadequate for promoting citizen participation" (OAS, 2004):

- In its 2009 report, the MESICIC went as far as affirming that "the framework for citizen participation was not only inadequate; it had also been devised in such a complicated fashion as to be, in practice, impossible to apply" (OAS, 2009). Consequently, the MESICIC has recommended to Peru that it continue to improve and

implement its mechanisms to encourage CSOs to collaborate with the public administration and to repeal those rules that discourage such participation.

- In the 2013 MESICIC report, Peru enumerated the commitments established under the OGP 2012-13 Action Plan, to which the commission recognised Peru's efforts to reinforce the mechanisms for citizens' participation. It also noted that the implementation of those commitments was still a work in progress.

In recent years, Peru has tried to involve CSOs in decision making in other contexts. A case in point is the participation of civil society and the private sector in the High-level Commission against Corruption (CAN) to which, according to Law 29976 of 2013, six representatives of civil society are members. In fact, the President of the *Consejo Nacional para la Ética Pública* (Proética, Peru's chapter of Transparency International), the President of the National Confederation of Private Business Associations (*Confederación Nacional de Instituciones Empresariales Privadas*), a representative of the labour unions of Peru, a representative from the Catholic church, a representative from the Evangelical church and the Executive Director of the Peruvian Press Council can participate in the sessions of the CAN, although they cannot vote. Another recent initiative is Infobras, established to promote social accountability in infrastructure projects.

Definition and implementation of a national open government agenda

The Public Management Secretariat (Secretaría de la Gestión Pública, SGP; see Chapter 2) in the Presidency of the Council of Ministers is the public body in charge of co-ordinating the implementation of the National Policy for the Modernisation of Public Administration and of all transparency and open government initiatives (as provided by Supreme Decree No. 057-2008-PCM on the rules of procedure regarding the organisation and functions of the Office of the President of the Council of Ministers). Specifically, it has the function of co-ordinating the drafting and implementation of Peru's OGP Action Plan and it supervises the correct and uniform implementation of the standard transparency portals of all government entities.

This reflects good practice in most OECD countries: countries identify an office, often placed in the centre of government, to co-ordinate such policies. This is the case here. That said, the continuous change of prime minister (even since Peru sent its letter of intent to the OGP on 15 September 2011)[8] and consequently of PCM staff has inevitably affected the continuity of the PCM's action, its effectiveness and impact. For instance:

- As of September 2013, according to Peru's own Self-assessment Report of the Open Government Action Plan (*Reporte de Cumplimiento Plan de Acción de Gobierno Abierto del Perú*), only 7 out of the 47 commitments of the Action Plan were fully completed, 18 were in process and 22 were in the information gathering phase (PCM, 2013).
- In addition, these constant changes may also explain the different approaches used to carry out the consultation phases of the different OGP action plans. According to Proetica, Peru's chapter of Transparency International, "the constant change of President of the Council of Ministers and the instability of their technical staff inside the PCM has been a major cause of delays on the action plan" (Proetica, 2014a).

Overall, the PCM and the government in general are to be praised for having sustained the pursuit of open government objectives as a policy priority over the past decade, despite numerous prime ministers. That said, one of the outcomes of this

instability appears to be the lack of an overall national open government vision which links the principles of transparency, accountability and participation to Peru's broader public sector reform and overall development plan. Although open government has been established as a cross-cutting theme in the 2013 National Policy for the Modernisation of Public Administration and its related implementation plan (Política Nacional de la Modernización de la Gestión Publica DS 004-2013-PCM and Plan de Implementación RM 125-2013-PCM), this initial and important step needs to be accompanied by a national open government policy that includes more specific guidelines on how to streamline open government across the whole government development agenda, the desired results, and the mechanisms to measure implementation and impact. It is essential that this open government policy be linked to Peru's broader development objectives and to specific high-priority elements on the public governance reform agenda in the country, such as its integrity and anti-corruption initiatives.

In fact, linkages between open government and public sector integrity and anti-corruption policies, a key whole-of-government priority, can sustain continuity and boost impact. While the Public Management Secretariat has purposely tried to use the OGP action plans to compensate for this lack of a government-wide vision on open government, the plans' short-term nature and focus on specific initiatives preclude their capacity to provide the necessary strategic framework to guide policy design and implementation horizontally across the government and between levels of government.

1st Action Plan 2012-2013: A dissemination and consensus-building exercise

Evidence suggests that Peru's first OGP Action Plan was a participative exercise. In 2011, the Ministry of Foreign Affairs, initial proponent of the initiative in Peru, invited relevant institutions (including the Ombudsman, the Comptroller General of the Republic and the PCM's Public Management Secretariat, its National Electronic and Information Government Office and its High-level Anti-corruption Commission) to participate in the preparation of the Peruvian Action Plan. The invitation was extended to civil society, the private sector, trade union organisations and international co-operation agencies. In total, five public entities and four CSOs formed the Executive Committee for Open Government.

Once the draft Action Plan was ready, it was submitted to a consultation process that included citizens, CSOs and public entities. Half of the comments received were from public entities, 25% from CSOs and 25% from citizens (SGP, 2013). The Action Plan was finally approved in April 2012, through Ministerial Resolution 085-2012-PCM. There is a general consensus among both public officials and civil society activists that this process greatly contributed to the dissemination of the notion of open government principles among Peruvian public officials, many of whom were being exposed to them for the first time. While there is still a significant portion of the civil service, at both national and local levels, that would greatly benefit from specific training in these areas, the process that led to the initial OGP Action Plan and its implementation were the first significant steps the government took in this direction.

In order to ensure a proper implementation of the Action Plan, the Multisector Monitoring Commission (Comisión Multisectorial de Seguimiento, CMS) was established in January 2013 through Supreme Decree No. 003-2013-PCM. The CMS is comprised of officials from the central government, with the participation of representatives from the judiciary, the private sector and civil society. The SGP acts as a technical and co-ordinating body for this commission.

Figure 7.4. **Members of the Executive Committee for Open Government**

Source: Based on SGP (2013), "Proceso de elaboración del Plan de Acción de Gobierno Abierto del Perú", www.pcm.gob.pe/wp-content/uploads/2013/04/Sistematizacion-Elaboracion-PAGA-27-03-2013.pdf.

The result of this collaboration was an ambitious action plan containing 47 commitments with significant potential impact and relevance. Twenty-four of the 47 commitments were related to access to information, 14 to citizen participation, 18 to accountability, 4 to technology and innovation for transparency and accountability, and 9 to other topics. These commitments were subsequently transformed into activities and clustered in 12 new commitments as follows:

1. improve the regulatory framework for transparency and access to public information
2. improve tools for promoting participation
3. strengthen the institutional framework for transparency and access to public information
4. strengthen forums for participation
5. develop tools to increase transparency and access to public information
6. strengthen the participation capacity of CSOs and officials of public institutions
7. tools to improve integrity
8. improve and develop information and communication technology tools that facilitate the integration of government information
9. institutional framework to improve integrity
10. improve the regulatory framework of electronic government
11. revise and improve the regulatory framework for public integrity
12. co-ordinate public institutions' electronic government efforts

According to the Independent Reporting Mechanism (IRM) (OGP, 2014a), the clustering process led to the omission of several of the initial commitments; in addition, the new commitments and indicators did not become public until ten months after the start of the implementation period, and were never clearly formalised (OGP, 2014a).

Even though the commitments were reduced to 12, at the end of its two-year period the overall implementation rate was still limited. This was partially due to overly ambitious goals, too many initiatives to be implemented in the allotted time frame, and the lack of structured and integrated monitoring and evaluation mechanisms. However, an important part of the responsibility is to be attributed to the limited legal, financial or regulatory capacity of the SGP to provide positive incentives or to sanction those institutions that do not comply with their commitments. In addition, although it was a participative action plan, such key actors as the Congress and regional/local governments were not involved in the process in a way that would have allowed them to influence the implementation of the plan: some of the activities were to be directly carried out by them.

2nd Action Plan 2014-2016: The challenge of re-establishing consensus

Despite limited implementation, the process that led to the drafting of the first OGP Action Plan can still be considered as a good example of participation and involvement of different stakeholders, especially from civil society. Although, the first versions of the 2nd OGP Action Plan were the result of a participative and inclusive process that included, *inter alia*, higher participation at the local level, the final approved OGP Action Plan 2014-16 has raised some concerns:

- At first, the process to develop it looked very much like an improved version of that used for the first plan. It was a participatory methodology that included workshops and meetings to gather inputs and suggestions on the commitments from public entities, CSOs and business associations. In addition, websites, Facebook and Twitter accounts were used extensively as communication channels to facilitate gathering additional contributions from those institutions that could not participate in the workshops, as well as from the general public (PCM, 2014).
- In some respects the design of the process was even better than that of the first plan, as it also included activities to extend its reach to the local level, as suggested by many national and international actors, through meetings in Ayacucho, Piura and San Martin. Based on these inputs, a draft was published online for public consultation. A final document was ready to be approved by the PCM and formalised through a ministerial resolution before the deadline of 15 June 2014, as mandated by the OGP. The draft document included the following major commitments (Proetica, 2014b):
    - the creation of an autonomous authority on transparency and access to information with punitive capacity
    - the creation of a national register of members affiliated to social programmes or state subsidies
    - the adoption of a regulation for the participation of citizens in the plenaries of the Supreme Court
    - the redesign of the accountability process of public entities supported by ICTs
    - the development of a technical standards, strategies and methodologies for open government data; interoperability of the state's databases
    - courses in digital citizenship.
- However, the approval of this first version of the plan was delayed by a year; when it was finally adopted, in July 2015 and following a formal letter from the OGP Support

Unit (OGP, 2014b), the new version was different and covered only the period 2015-16. This second version was immediately met with numerous criticisms from CSOs, which focused not only on the delay by which the government had approved it, but also on the lack of transparency and participation which characterised its design phase.

- Key players in the Peruvian open government panorama among the CSOs involved in the drafting and implementation of the first plan, such as Proetica, declared that the government had lost leadership and interest in the open government agenda (Proetica, 2014b), that the approved Action Plan was not the same as the one they participated in drafting.[9]
- Moreover, it was of particular significance for CSOs the fact that the government had deleted any reference to the previously proposed creation of an authority to guarantee access to information (Proetica, 2014b), which was and still is considered by many of them to be a pillar of Peru's open government agenda and a *since qua non* condition to improve the transparency and accountability of Peru's public sector. CSOs suspended their participation in the Multisector Monitoring Commission as of 5 December 2014, following the unexplained refusal of the government to approve the 2014-16 OGP Action Plan and to create the above-mentioned authority.

As a result, several CSOs are demanding, through a joint press release signed by at least 30 of them, to include the following actions in the plan:[10]

- creation of the National Authority for Transparency and Access to Public Information to implement Peru's transparency policy, with a national and regional level jurisprudence, and with a budget provided by the Ministry of Economy and Finance
- promotion of a specific anti-corruption policy to strengthen the High-level Anti-Corruption Commission, the regional anti-corruption prosecutors and the Anti-Corruption Observatory, instances that struggle to meet their mandated objectives
- establishing minimum standards to access public information in open data format
- consolidation of effective mechanisms for citizen participation at all levels of government, including the judiciary and Congress
- establishment of spaces dedicated to innovation and economic development, involving civil society
- promoting transparency in environmental issues and the extractive sector (procurement and environmental assessments) to enable a dialogue with communities and the proper implementation of the prior consultation provision for indigenous peoples.

This request from citizens and CSOs has been also supported by the Ombudsman's Office of Peru: it had proposed to the executive branch[11] the creation of a "National Authority for Transparency and Access to Public Information" even before the elaboration of the 1st OGP Action Plan. In its proposal, the authority should be established as an autonomous institution to carry out the following main duties:

- monitor and sanction breaches of the law
- resolve disputes in the administration, determining binding criteria
- promote and disseminate this right among citizens
- provide technical advice to public entities.

This proposal, which was backed by leading scholars, several civil society organisations and various media, was reiterated by the Ombudsman to the government in May 2013[12] and August 2014.[13]

According to the declarations of CSOs and government representatives interviewed in the framework of this review, the most important obstacle currently preventing a constructive dialogue on Peru's national open government agenda is the creation of this authority.

During the 29 October 2015 session of the High-level Anti-corruption Commission, its members agreed to promote the adoption of the bill creating the National Authority for Transparency and Access to Public Information. Various technical meetings have been taking place to determine its level of independence and its main functions and roles. A final draft text has been finalised and will be presented to CAN members for their approval and subsequent submission to Congress.

OECD countries have different mechanisms to monitor the implementation of their access to information law (authorities, parliamentary committees, executive committees, national and/or regional ombudsmen, administrative courts, etc.). While the choice of the institution ultimately belongs to the government of Peru, in consultation with all relevant national stakeholders, if it wants to improve the transparency and accountability of its public sector effectively, it is paramount that it improves the compliance of its institutions with the law, either through the creation of a new oversight body or by formally handing this responsibility and associated powers to an existing office or institution.

This is in line with the OAS transparency model law, which suggests that an information commission should be established to be in charge of promoting the effective implementation of the freedom of information law. It should have a legal personality; operational, budgetary and decision-making autonomy; and should report to the legislature. It should be comprised of three (or more) commissioners, reflecting a diversity of skills and backgrounds. Specific duties and powers for the information commission need to be established, such as the mandate to:

- review any information held by a public authority, including on site
- *sua sponte* monitor, investigate and enforce compliance with the law
- issue recommendations to public authorities.

Public authorities in turn need to report annually to the information commission on the activities of the public authority pursuant to, or in compliance with, the freedom of information law. The reports should contain information such as the number of requests for information received, granted in full or in part and refused, as well as appeals from refusals to communicate information. An overview of the role and responsibilities of such offices is provided in Box 7.4.

Box 7.4. **Information commission(ers) and other oversight bodies and mechanisms**

At a global level, there are four main types of oversight bodies for access to information laws, with some assigning the role to existing entities and others having established a specialised entity.

Creation of specialised entities:

- Information Commissioner (Hungary, Scotland, Serbia, Slovenia, United Kingdom)
- commission/institute (France, Mexico, Portugal)
- assignment of responsibility to an existing organisation:
  - Ombudsman given oversight (Bosnia and Herzegovina, New Zealand, Norway, Sweden).
  - other body given oversight (South Africa, Turkey).

The global trend tends towards one of the first approaches, that is, the establishment of either an information commissioner or an information commission (indeed, there is very little difference between the two; essentially it is a question of whether one or more individuals are charged with the role of commissioner, but apart from that the functions of these offices remain the same).

Typical powers and functions

There are a number of functions which are common to the information commissioners surveyed and to other information commissioners. These include the following:

- receive and review complaints from requestors:
  - review contested information
  - consult on matters of public interest
  - conduct onsite inspections.
- order release of information (binding)
- monitor compliance with the law, including proactive disclosure
- train public officials
- guide public authorities on interpreting and implementing the law
- raise awareness among the public and provide advice
- recommend how to strengthen access through existing and proposed legislation
- other powers:
  - submit *amicus curiae* briefs and appear as an expert in other court processes
  - exercise free rein in co-ordinating with other state bodies to ensure that administrative procedures and structures maximise compliance with the right to information
  - engage in international co-operation to be up to date on the latest global developments in the law and practice of the right to information.

Source: OECD (2015), *Open Government in Morocco*, http://dx.doi.org/10.1787/9789264226685-en.

In the case of Peru, the law does not foresee a specific institution, body or public entity to act as the guarantor of the right of access to information. Due to the fact that access to information is defined as a right in the Constitution and protected with *habeas* data proceeding (Constitution, Article 200, Part 3), the Ombudsman has taken the lead in receiving complaints from citizens, assessing and monitoring the implementation of the law, and providing training to public officials. However, due to the multiple activities that the Ombudsman carries out (described later in this chapter) and the lack of an enforcement role and of the power to impose sanctions, this solution can only be seen as partial. As stated before, it is important for Peru to create a specialised entity or identify an existing institution with the financial independence and human resources capacity to carry out the activities needed to guarantee fully implementation and the rule of law in this area. Peru could follow the examples of Chile, Mexico or the United States, as described in Box 7.5.

Box 7.5. **Examples of bodies that provide oversight to transparency laws: Chile, Mexico and the United States**

Chile

The Council for Transparency is an autonomous public body with its own legal personality, created by the Law on Transparency of Public Service and Access to Information of the State's Administration. Its main task is to ensure proper enforcement of the law, which was enacted on 20 August 2008 and became effective on 20 April 2009.

The boards' direction falls under four designated counsellors appointed by the President, with the agreement of the Senate, adopted by two-thirds of its members. The board is entrusted with the management and administration of the Council for Transparency. The counsellors serve six years in office, may be appointed only for one additional period and may be removed by the Supreme Court at the request of the President or the Chamber of Deputies.

The council has the following main functions:

- monitor compliance with the provisions of the Law on Transparency and apply sanctions in case of infringements of them
- solve challenges for denial of access to information
- promote transparency in the public service by advertising information from the state administration bodies
- issue general instructions for the enforcement of legislation on transparency and access to information by the bodies of the state administration, and require them to adjust their procedures and systems to such legislation
- make recommendations to the bodies of the state administration aimed at improving the transparency of its management and to facilitate access to the information they possess
- propose to the President and to the Congress, where appropriate, rules, instructions other regulatory improvements to ensure transparency and access to information
- train directly or through third parties, public officials in matters of transparency and access to information
- carry out statistics and reports on transparency and access to information of the organs of the state administration and compliance of this law.

Box 7.5. **Examples of bodies that provide oversight to transparency laws: Chile, Mexico and the United States** (*continued*)

Mexico

The National Institute on Transparency, Access to Information and Protection of Personal Data (Instituto Nacional de Transparencia, Acceso a la Información y Protección de Datos Personales) was established by the Federal Law on Transparency and Access to Public Governmental Information (Ley Federal de Transparencia y Acceso a la Información Pública Gubernamental) in 2002.

The institute is composed of a Commissioner President and six commissioners, who are appointed by the federal executive for six years, without the possibility of renewal. As laid down in the law, the institute shall work fully independent and report annually to Congress. Its threefold mandate can be summarised as guaranteeing the access of governmental information to the public, fostering accountability and defending the right to privacy. In addition, the institute aims at:

- assisting in the organisation of the national archives
- promoting a culture of transparency in public expenditures
- fostering accountability within the government to raise trust among its citizens
- contributing to the processes of analysis, deliberation, design and issuance of judicial norms of relevance to the archives and personal data
- enhancing the legislative processes targeted to improve and strengthen the normative and institutional framework for transparency and access to public information.

The United States

In the United States, the Office of Government Information Services, known as "the Federal FOIA ombudsman" was created within the National Archives and Records Administration. The Office of Government Information Services was created when the Open Government Act of 2007 amended the freedom of information law and is responsible for:

- Mediating disputes. Offer mediation services to resolve disputes between persons making FOIA requests and agencies (non-exclusive alternative to litigation). May issue advisory opinions if mediation has not resolved the issue.
- Serving as ombudsman. Solicit and receive comments and questions from federal agencies and the public regarding the administration of FOIA to improve FOIA processes and facilitate communication between agencies and FOIA requesters.
- Providing dispute resolution training for the FOIA staff of federal agencies, working closely with key FOIA stakeholders like the requester, community and open government advocates, and more.

The National Archives and Records Administration is seen as an independent arbitrator distanced from the White House. According to its statute, the National Archives and Records Administration shall be an independent establishment in the executive branch of the government. The administration shall be administered under the supervision and direction of the Archivist. The Archivist of the United States shall be appointed by the President by and with the advice and consent of the state. The Archivist shall be appointed without regard to political affiliations and solely on the basis of the professional qualifications required to perform the duties and responsibilities of the office of Archivist. The Archivist may be removed from office by the President. The President communicates the reasons for any such removal to each House of the Congress.

Sources: https://ogis.archives.gov/about-ogis.htm ; INAI (n.d.), "Misión visión y objetivos", http://inicio.inai.org.mx/SitePages/misionViosionObjetivos.aspx; CPLT (n.d.), "¿Qué es el Consejo para la Transparencia?", www.consejotransparencia.cl/que-es-el-cplt/consejo/2012-12-18/190048.html; www.leychile.cl/Navegar?idNorma=276363.

Despite the criticisms the 2nd OGP Action Plan received from CSOs, it contains several new commitments that seek to address some of the weakness identified in the implementation of the first plan. Namely, it aims to improve the capacity of public servants to share information through institutional websites, open data and social media, not only at the central level but at the regional and local levels, which were excluded by the first plan and were often identified as a major limitation for open government.

Table 7.1. **Comparison of the OGP Action Plans 2012-13 and 2015-16**

Commitment I: Transparency and access to public information	
Monitor the compliance of the Law on Transparency and Access to Public Information	Formulate a proposal of regulations for the modification of the Law on Transparency and Access to Public Information
Revise and strengthen instruments to implement norms of transparency and access to information	Strengthen the accessibility and interoperability of the Web Portal of Transparency Standards
Enable easy handling of the Web Portal of Transparency Standards	Strengthen the knowledge and application of norms of transparency and access to public information of civil servants
Evaluate the creation of an autonomous institution, tasked to guarantee the right to access to information	Foster better information on eligibility of social programmes
Strengthen the access to information on environmental and extractive industries	Strengthen the Portal of the Electronic System of Public Procurement (SEACE)
Consolidate the Extractive Industries Transparency Initiative (EITI)	Implement the Commission for Transparency of the Extractive Industries Transparency Initiative in three regional governments
Commitment II: Citizen participation	
Action Plan 2012	Action Plan 2015-16
Enhance the areas of participation, dialogue and scrutiny and the mechanisms of accountability at all levels of government	Institutionalise citizen participation through mechanisms of social vigilance of the processes of the National Program of School Alimentation (PNAE)
Promote the empowerment of capacities of civil society institutions	Enhance the information for society on the implementation of the Law of Prior Consultation
Expand the use of ICT for enhanced co-operation among all levels of government	Strengthen spending of citizen participation in the public entities of the three levels of government
Facilitate access to budgetary information	Institutionalise and empower citizen participation in the Supreme Court
Adopt the plenary agreements of the Supreme Court of Justice	
Promote citizen participation as inspectors of tenders, auctions and bids	
Commitment III	
Public integrity Action Plan 2012	*Accountability* Action Plan 2015-16
Adopt the National Plan for the Fight Against Corruption 2012-2016	Offer comprehensive information on accountability online
Strengthen the capacities of the Comptroller General of the Republic	Enhance the quality of hearings on accountability of regional and local governments
Strengthen the National Defence Council	Implement mechanisms to publish and hold accountable all entities involved in public expenditures
Strengthen the High-level Anti-corruption Commission	
Develop an Observatory of Governance	
Empower the National System of Attention to Denouncing (SINAD)	
Strengthen the Nacional Authority of Civil Service (SERVIR)	
Commitment IV	
Electronic government and public services Action Plan 2012	*Improve public services* Action Plan 2015-16
Confirm the Multisector Commission of Monitoring the Peruvian Digital Agenda 2.0	Promote the publication of open data on a web portal
Increase the number of services which are available on the Platform of Interoperability	Increase the number of online services offered by the Portal of Services to citizens and enterprises
	Improve the skills of public officials to offer public services online and encourage society to use them
	Promote the use of social media by the public administration to diffuse information

Peru's laws on transparency and access to public information

Access to information or freedom of information laws (FOI) constitute a fundamental pillar of open and inclusive government and recognition of a basic democratic principle: governments represent the people and act on their behalf; thus their actions must be open to scrutiny (Abramovich and Courtis, 2000). The regulation and implementation of the right to access to information has advanced significantly in the world. Today, 106 countries, including almost all OECD countries[14] (Centre for Law and Democracy and Access Info, n.d.), have a stand-alone access to/freedom of information law or embed the right to access information within other laws, regulations or even in some countries' constitution.

Scope and the right to information

Recognising the importance of access to information as a key condition for promoting an open and inclusive government, Peru enshrined access to information as a fundamental right in its 1993 Constitution. As mentioned above, Article 2, Item 5 provides that "Every individual has the right to request information without requiring an explanation and to receive it from any public entity, within the legal deadline, and with the cost associated to it. Information that affects personal privacy, national security or is expressly mentioned by law are excluded".[15] But the potential of access to information goes beyond its recognition as a basic democratic right: access to the information that the government generates, acquires, obtains or processes is indispensable if citizens are to be given the necessary tools to make their participation in public affairs well-argued and relevant (Stiglitz, 1999).

For this to happen, comprehensive regulations need to be passed, followed by adequate implementation that considers the relevance and "usability" of the information provided *vis-à-vis* its potential users. In this regard, Peru adopted the Law on Transparency and Access to Public Information in 2003 (Law 27806) that endorses the principle of maximum disclosure to govern the action of the state and requires it to take all necessary measures to promote transparency and provide the information requested by citizens and non-citizens, except from those public entities demonstrating that the disclosure of the information affects constitutional and fundamental rights protected by legally established exceptions (Article 3, Law 27806). This law applies to:

- the executive branch, including ministries and decentralised public agencies
- the legislative branch
- the judiciary
- regional governments
- local governments
- agencies which are autonomous pursuant to the Peruvian Political Constitution and laws
- other institutions and organisations, projects and government programmes, whose activities are carried out under administrative powers; therefore, they are considered to be subject to common rules of public law, unless otherwise mandated by law referring them to another system
- legal entities under private arrangements which provide public services or exercise administrative functions under government concession, delegation or authorisation, under applicable rules.

In this context, Peru is one of the only countries, along with eight OECD member countries (Estonia, Finland, Hungary, Italy, Korea, Poland, the Slovak Republic and Sweden) to extend its law vertically to all levels of government and horizontally to all branches of the central government. As shown in Table 7.2, OECD governments differ in the coverage of the various levels of government by freedom of information laws. While nearly all governments ensure access to information generated by the central government and the executive, 25 countries ensure access to information generated by subnational units − such as provinces − and only half provide access to information at the legislative, judicial and other branches. For example, Greece's Administrative Procedural Code grants access to documents "drawn up by public services" which may include all central, regional and local administrations but does not apply to archives, the executive branch or the Cabinet of Ministers.

In OECD member countries that are federal, legislation passed by national legislatures are constitutionally not applicable at the state or provincial level. That said, in most OECD countries, the constitutionally autonomous state/provincial legislatures also have FOI/access to information legislation in force. Canada's ten provincial and three territorial legislatures, for example, have all passed such legislation. In some cases (e.g. Quebec), they did so before their national parliaments enacted theirs.

Table 7.2. **Breadth of freedom of information laws**

Level of government	Total OECD countries	
Central	31	Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States. Also Peru and the Russian Federation.
Subnational	26	Austria, Belgium, Canada (provincial/territorial legislation), Chile, Czech Republic, Denmark, Estonia, Finland, France, Hungary, Iceland, Ireland, Israel, Italy, Korea, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Turkey and United Kingdom. Also Peru and the Russian Federation.
Branches of power at the central level		
Executive	31	Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States. Also Peru, the Russian Federation and Ukraine.
Legislative	16	Belgium, Chile, Estonia, Finland, Hungary, Ireland, Israel, Italy, Korea, Mexico, Poland, Slovak Republic, Slovenia, Sweden, Turkey and United Kingdom. Also Peru, the Russian Federation and Ukraine.
Judicial	16	Australia, Belgium, Chile, Estonia, Finland, France, Hungary, Israel, Italy, Korea, Mexico, Norway, Poland, Slovak Republic, Slovenia and Sweden. Also Peru, the Russian Federation and Ukraine.
Other bodies		
Private entities managing public funds	18	Australia, Belgium, Czech Republic, Estonia, Finland, France, Hungary, Iceland, Italy, Korea, Netherlands, Poland, Portugal, Slovak Republic, Sweden, Switzerland, Turkey and United Kingdom. Also Peru and Ukraine.

Source: OECD (2011), *Government at a Glance 2011*, http://dx.doi.org/10.1787/gov_glance-2011-en.

Standard transparency portals

Proactive disclosure (i.e. information that must be publicly available prior to public request) is instrumental in achieving greater transparency and openness in government. Proactive disclosure ensures that information seekers get immediate access to public

information and avoid the costs of filing a request or engaging in administrative procedures. For public organisations, proactive disclosure can reduce the burden of complying with FOI requests.

Chapter 2 of Peru's transparency law provides that every public entity must publish the following information on their own standard transparency portals as shown in Figure 7.5.

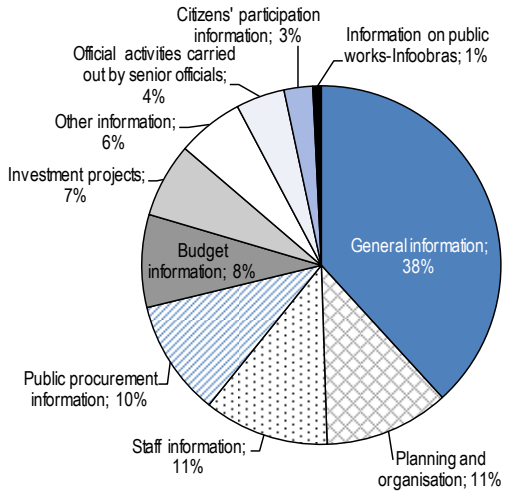
- general information of the entity, such as organigrams, legal framework, Single Text of Administrative Proceedings (Texto Único de Procedimientos Administrativos, TUPA), among others
- budget information that includes data on executed budgets, investment projects, senior officials, and staff remuneration and benefits
- procurement of goods and services, including details of committed amounts, suppliers, quantity and quality
- official activities carried out by the senior officials of the entity and registry of visits to public officials
- any other relevant information that the entity deems necessary.

Figure 7.5. **Standard transparency portals**

Source: www.pcm.gob.pe/menu-principal/transparenciapcm.

The SGP is the unit in charge of monitoring the establishment of the standard transparency portals and collecting information on requests for information. According to the SGP, the number of standard transparency portals has grown from 480 in 2010 to 1 100 in 2015, which suggests a higher degree of commitment to transparency of the different Peruvian public entities. The Co-ordination Secretariat has created a website[16] where citizens can follow the number of requests for information, the number of requests that were satisfied or not, and the main reasons for not delivering the information. It also provides suggestions on how the public entities can avoid not providing information, such as training or improving the material resources available for public servants. This information can be found by region, province or district. In addition, it also provides numbers on the information that is commonly consulted. Based on this information, it can be evidenced that general information on public entities and information regarding the planning and organisation of the public entities are the most consulted categories (Figure 7.6).

Figure 7.6. **Most common information consulted on the standard transparency portals**



Note: As of 29 January 2016.

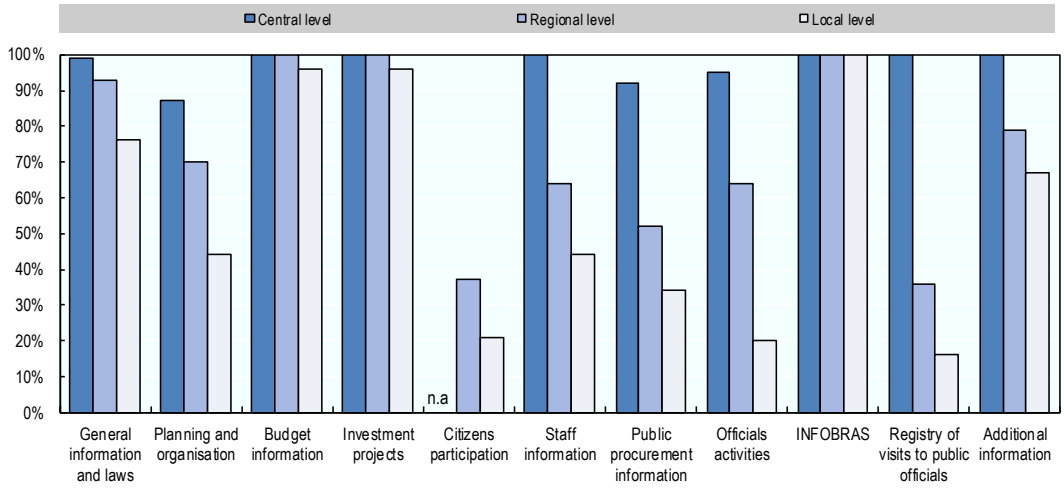
Source: Portal del Estado Peruano, www.peru.gob.pe/transparencia/pep_transparencia_estadisticas.asp.

The Ombudsman also monitors the implementation of the standard transparency portals. Every six months it monitors the level of compliance by disseminating the information required by law of all 3 levels of government, which includes 18 ministries and the PCM, 25 regional governments and 25 provincial municipalities located in the capitals of each region. According to the Ombudsman's report, the local level still faces a low level of compliance (Figure 7.7) and information on citizens' participation is seldom published. In addition, the SGP, responsible for the supervision of the standard transparency portals, expanded the number of supervised entities from 44 in 2014 (ministries and regional governments) to 230 (including public bodies, legislative, judiciary, constitutionally autonomous bodies, provincial and district municipalities, and national universities). The SGP has witnessed an improvement in the number of entities that keep the information up to date; nevertheless, its observations are the same as those of the Ombudsman: local and regional governments have the lowest levels of compliance. In response, the SGP is intensifying the number of technical assistance and awareness-raising activities at all three levels of government, across all branches, constitutionally autonomous bodies and national universities. During 2015, 1 105 public officials were trained in the use of standard transparency portals and at the time of writing in 2016, the SGP had trained 865 public officials.

In the first semester of 2015, all 18 ministries and the PCM had a standard transparency portal working and publishing information at different levels of compliance. The Ministries of Economy and Finance, Trade, and Labour publish all of the information required by law. However, the PCM has the lowest level of compliance (83%), with information on procurement being the least published category.

On average, at the central level, the entities reach 93% of compliance. In contrast, the regional level reaches 71% and the local level only 50%. For instance, 36% of the regions, such as Ancash, Cajamarca, Junín and Puno, do not publish information on citizens' participation. Furthermore, only 9 out of 25 regions, including Ayacucho, Ica and San Martin, published information of the registry of visits to public officials (Defensoría del Pueblo, 2015b).

Figure 7.7. **Level of compliance with the transparency law at different levels of government, 1st semester 2015**



Source: Defensoria del Pueblo (2015b), "Primer Reporte 2015: Supervisión a los portales de transparencia estándar de los ministerios del poder ejecutivo, gobiernos regionales y municipalidades provinciales ubicadas en capitales de departamento", www.defensoria.gob.pe/modules/Downloads/buen_gobierno/2015/Primera-Supervision-2015-PTE.pdf.

Ease of filing requests

The possibility for individuals to exercise their right to information depends on, among other factors, the degree of accessibility of FOI laws, the ease of filing requests and individual protections granted to those requesting information. Narrow eligibility conditions to file a request, long response times or unjustifiably high fees are factors that can limit or undermine the right to know.

In Peru, along with 71% of OECD countries (that participated in the 2011 OECD survey), there is no legal restriction concerning the status of applicants (OECD, 2011), citizens and non-residents may request information. Furthermore, the regulations of Law 27806 (Supreme Decree No. 072-2003-PCM)[17] provide that those who file a request are not required to provide the reasons for the request. The request can be made through the transparency portal of the entity, in person at the relevant office by filling the official yet optional request form[18] or by mail.

Peru is one of the countries where users can file information requests online, but according to the Ombudsman's report, not all Peruvian public entities have been able to implement these mechanisms. According to the report, 99% of citizens' information requests are received in paper format, but 79% of these requests do not use the official – yet optional – information request format[19]. The request must include the following information:

- Name, surname, ID number, address. Minors do not need to provide an ID number.
- If applicable, phone number and/or email address.
- If the application is submitted to the institutions' document reception unit, the applicant's signature or fingerprint, if not able to sign or prevented from doing so.
- Concrete and precise request of information.

- If the applicant knows the institution holding the information, it should indicate it in the request.
- If the applicant did not include the name of the public official or did it incorrectly, the institutions' document reception unit should transfer the request to the responsible public official.

However, if the personal information requested on the form is not provided, the request for information is not processed. This means that the procedure does not permit anonymous information requests, unlike the principles established by the Organisation of American States' (OAS) Model Law on Access to Public Information (Box 7.6), which states that any person making a request for information in writing, by electronic means or orally to any public authority shall be entitled to, *inter alia*, make an anonymous request for information. Peru could adapt its current Law on Transparency to reflect recent good practices to promote a more transparent and accessible government; for instance, to allow access to information requests to be anonymous.

Box 7.6. **The right to transparency: Common European legal standards and the OAS Model Law on Access to Public Information**

OAS Model Law on Access to Public Information

Right to information

Any person making a request for information in writing, by electronic means or orally, to any public authority shall be entitled:

- to be informed whether or not the public authority in question holds a record containing that information or from which that information may be derived
- if the public authority does hold such a record, to have that information communicated to the requester in a timely manner
- to an appeal where access to the information is denied
- to make an anonymous request for information
- to make a request without providing justifications for why the information is requested
- to be free from discrimination based on the nature of the request
- to be provided with the information free of charge or at a cost limited to the cost of reproduction.

Response from the public authority and exceptions

In addition, each public authority must respond to a request as soon as possible and in any event, within 20 working days of its receipt. In case exceptions to disclosure of the information are applied, they must be clear and narrow and must be legitimated and strictly necessary in a democratic society. The requester must be informed of the reason and legal provision of why the information is not given as well as the possibility to appeal the decision.

Appeals

A requester can appeal to a refusal to respond within 60 working days. The requester can ask for an internal appeal with the head of the public authority or for an external appeal with the information commission. Finally, the requester can challenge the decision of the information commission in court.

Box 7.6. **The right to transparency: Common European legal standards and the OAS Model Law on Access to Public Information** (*continued*)

The information commission

An information commission must be established and will be in charge of promoting the effective implementation of the freedom of information. It should have legal personality and operative, budgetary and decision-making autonomy, and shall report to the legislature. It is comprised of three (or more) commissioners, reflecting a diversity of skills and backgrounds. Specific duties and powers for the information commission need to be set, such as:

- to review any information held by a public authority, including through on site
- *sua sponte* authorisation to monitor, investigate and enforce compliance with the law
- to issue recommendations to public authorities.

Reporting

Public authorities shall report annually to the information commission on the activities of the public authority pursuant to, or to promote compliance with, the freedom of information. The reports could contain information such as the number of requests for information received, granted in full or in part, and refused and appeals from refusals to communicate information.

Promotional and compliance measures

The model law establishes that the operation of the law should be monitored regularly, training on the law should be provided to public officials, a formal education to citizens needs to be given in order to raise awareness on the right to ask for information. The law suggests doing so in primary and secondary education.

The right to transparency: Common European legal standards

Beneficiaries

The recognition of the public's right to information implies that "everyone" is entitled to access. The administration cannot reject a request on the grounds that the request is not based on a specific interest. Disclosure can only be prevented if the administration shows the existence of a prevailing public or private interest in confidentiality. The burden of justification is on the public authority.

Scope

- As for the first issue, freedom of information should, in principle, regard all documents and information held by public authorities, regardless of their pertinence to a specific administrative procedure or to the executive power.
- As a general rule, transparency regimes apply to all of the sectors/areas of public intervention.
- Transparency rules pertain to a fundamental right. As a consequence, they should also apply to regional/territorial entities.

Object

According to some legislative acts on transparency, the right of access concerns "documents", whereas according to other regulations, the right to access concerns "information". In abstract terms, the two notions are different. The former allows the requester to view a document and extract a copy of it. The latter allows the requester, in addition, to ask the administration to disclose whatever information it has, even when it is not included in a document.

Box 7.6. **The right to transparency: Common European legal standards and the OAS Model Law on Access to Public Information** (*continued*)

Exceptions

The right of access to documents, like other fundamental rights, meets some limitations. The discipline of exceptions represents the most crucial part of freedom of information regimes. Its aim is to ensure that the disclosure of information held by public authorities does not harm relevant public or private interests. Two issues must be addressed:

- grounds: protection of legitimate public or private interests
- legislative constraints on administrative discretion: absolute exemptions include the harm test; relative exemptions include the balancing test.

Processing of requests

Time: requests of access should be processed "promptly" or "without undue delay" and, in any case, within a reasonable time "which has been specified beforehand". In most freedom of information acts, the time limit is short: 5 days in Estonia; 10 in Portugal; 15 in the Czech Republic, Finland and Poland and at EU level; 20 in Slovenia and the United Kingdom.

Format: access should be granted by effective and appropriate means.

Fee: it is generally admitted that administrative authorities may charge a reasonable fee on the occasion of a request, a distinction should be made between access to documents that are already available and access to information that involves activities of research, elaboration or processing on the part of the administration.

Give reasons and indicate remedies: no administration can deny access to a requested document without justifying its decision. Any refusal should mention the legislative exemption upon which it is grounded and clarify why the disclosure would harm the legitimate public or private interests protected by the exemption.

Publication

The general principle is that documents should be made accessible by the institutions from the outset unless an exception to the public right of access clearly applies. In all of the European legal orders taken into consideration, there are transparency provisions that impose on the administrations a duty to publish information of public interest.

A precondition for the effectiveness of publication is the use of the Internet. Publication on paper in official bulletins or journals does not sufficiently fulfil the duty of the government to promote access to public information; publication on institutional websites is also necessary. The elaboration and publication of registers is another essential prerequisite. Each public authority has to publish a register containing all of the categories of documents and information held on its website. Each register should provide a "guide to information", giving details of: 1) the information routinely published and directly accessible by means of the register; 2) how the remaining information can be accessed on demand; and 3) whether a charge will be made for providing access to information.

The selection of information to be published should not be entrusted solely to the concerned administration. Rather, it involves a process of gradual specification and harmonisation, which requires a unitary supervision by an ad hoc competent body or government unit.

Review mechanisms

In Europe there are two basic models of reviewing administrative decisions on access requests: in the first model, the crucial reviewing role is performed by the courts, while in the second it is mainly entrusted to a specialised and independent administrative authority.

Box 7.6. **The right to transparency: Common European legal standards and the OAS Model Law on Access to Public Information** (*continued*)

- The first model is typically structured as an "ordinary" review of administrative acts. In most European countries, this is the basic scheme: if the public authority denies access to information, the requesting person can challenge the decision either before a higher office of the same authority (internal administrative review) or before a judge (usually an administrative court, where a "dual" system of justice – with a jurisdictional distinction between ordinary and administrative courts – is in place).
- The second review model assigns a central role to an ad hoc authority that is independent (or quasi-independent) from the government and accountable to parliament. Decisions on access requests may be challenged before the independent authority. Therefore, administrative review is not diffuse, but rather centralised; it is not internal to the decision-making administration, but external and independent; it has a sector-specific mandate, rather than a general competence.

Sources: OAS (2010), "Model Inter-American Law on Access to Public Information", www.oas.org/en/sla/dil/docs/access_to_information_Text_edited_DDI.pdf; OAS (n.d.), "Presentation of the project 'Promotion of the Model Law'", www.oas.org/en/sla/dil/access_to_information_project_description.asp; OECD (2010), "The right to open public administrations in Europe: Emerging legal standards", http://dx.doi.org/10.1787/5km4g0zfqt27-en.

Yet, in this regard, few OECD countries have enacted strong provisions to protect the privacy and integrity of parties and individuals requesting information. FOI laws in seven countries contain a provision that provides anonymity for requestors:

- In Finland, the person requesting information does not need to identify him/herself nor provide reasons for the request, unless this is necessary for the exercise of the authority's discretion or for determining if the person requesting information has the right of access to the document.
- Other countries, such as Australia, the Czech Republic, Ireland, Mexico, the United Kingdom and the United States provide *de facto* anonymity because they do not require applicants to provide proof of identity.
- In Canada, the identity of the applicant is protected by federal law (Figure 7.8).

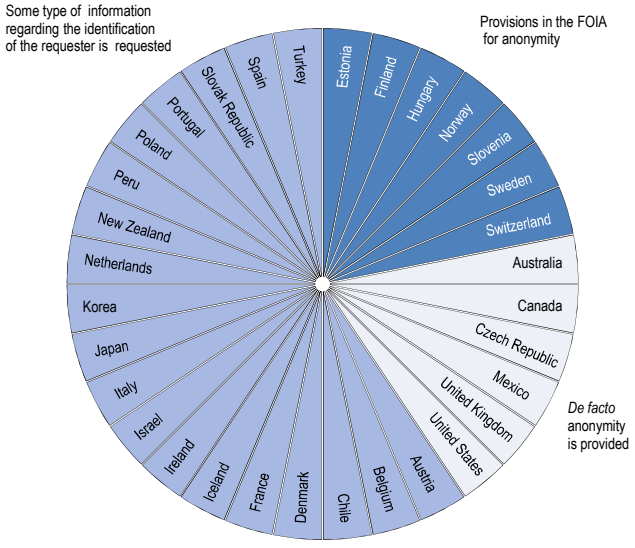
Article 11 of Peru's Law 27806 provides that the public entity has a period not exceeding seven working days to provide the information; this term may be extended exceptionally for five additional days if it unusually difficult to gather the required information. In this case, the entity shall disclose in writing, before the expiration of the first deadline, the reasons that make use of such an extension.

This is in line with OECD good practice, as almost all countries have established standards for timely responses to requests for information in their laws or in related legal documents, usually within 20 working days or less; for instance, 5 days in Estonia; 10 in Portugal; 15 in the Czech Republic, Finland and Poland; and 20 in Slovenia and the United Kingdom. In addition, if the public entity does not have the requested information and if the location is known it shall inform the applicant.

Yet, according to Defensoría del Pueblo (2013), 55.43% of the complaints received by the Ombudsman at the national level were motivated by the failure of the public entities to provide information within seven days working days after reception of the

request. In addition, in 15.11% of complaints addressed, the public administration omitted to respond to the requests made by citizens or refused to provide information.

Figure 7.8. **Individual protection granted to those requesting information**



Source: Based on OECD (2011), *Government at a Glance 2011*, http://dx.doi.org/10.1787/gov_glance-2011-en.

In fact, while the OAS model states that "in any event, the failure of the public authority to complete the processing of the request within 20 working days, or, if the conditions specified in paragraph 1 are met, the failure to respond to the request within 40 working days, shall be deemed a denial of the request", other countries such as Mexico state in their Transparency Law that "Failure to respond to an information request within the period prescribed in Article 44, is meant to be resolved in a positive direction. Therefore the agency or entity shall be obliged to give access to information in a time period not exceeding 10 working days, covering all costs generated by the reproduction of information, except material considered as privileged or confidential."

In Peru, the law proposes "negative administrative silence", meaning that "In the absence of response within the period specified, the applicant can consider his/her request denied" (Article 11d of Law 27806). Therefore, officials responsible for responding to requests for information could be induced to refrain from responding. This aspect has raised some concerns because it may affect the guiding principles of transparency, which imply that all public information is, in principle, accessible and can only be withheld in order to protect other rights and national security as stated in the law and it can also open the door to discretion and legal insecurity. In addition, it is worthwhile to mention that the absence of response would mean a breach of the general rules of administrative procedure, where it is stated that the denial of the request must be properly based on the exceptions provided by the law and in case of non-existence of the information, the entity must reply in writing that the denial is due to the absence of information.

Fees

According to the Common European legal standards and the OAS Model Law on Access to Public Information (see Box 7.6), it is generally admitted that administrative authorities may charge a reasonable fee for a request; a distinction should be made between access to documents that are already available and access to information that involves research, elaboration or processing on the part of the administration. In this regard, all OECD countries, with the exception of Iceland and Poland, apply fees at one or more stages of the information request process, most often to cover the cost of reproduction. In about half the countries, fees are also related to the cost of sending the documents, although several countries (such as Australia and Finland) waive these fees if the information is sent electronically. Most fees are variable, meaning that they depend on the number of pages to be reproduced or the amount of time to process the request (for example). When a variable fee can be charged, a cap on the amount of this fee is applied only in a limited number of countries (Austria, Finland, France, Italy, Norway and Portugal).

In Peru, the fee must only reflect the cost associated with the reproduction of the information. It has to be determined by each entity and must be specified in their Single Text of Administrative Proceedings (Texto Único de Procedimientos Administrativos, TUPA) (Article 17 of Law 27806). It has been pointed out by the Ombudsman and by the Consorcio de Investigación Económica y Social (CIES), an association of 48 prestigious to academic and research institutions in economics and social sciences, that the right to information is sometimes limited because the requester is charged with illegal costs. This may be a result of the fact that fees differ from one institution to another as shown in Table 7.3.

Table 7.3. **Cost associated with the reproduction of the information requested**

Means to provide information	Cost associated with the reproduction[1]		
	Ministry of Finance	Ministry of Interior	Ministry of Education
Email	Free	Free	Not mentioned
Copy per page in black and white	PEN 0.10 (EUR 0.03)	PEN 0.20 (EUR 0.06)	Size A4: PEN 0.15 (EUR 0.04)
			Size A3: PEN 0.23 (EUR 0.062)
CD	PEN 1.5 (EUR 0.40)	PEN 3.5 (EUR 1)	PEN 9.7 (EUR 2.6)
Video	Not mentioned	PEN 14 (EUR 3.8)	PEN 0.15 (EUR 0.04) per minute
Photo	Not mentioned	PEN 0.7 (EUR 0.20)	Not mentioned
Floppy disk	Not mentioned	Not mentioned	PEN 1.9 (EUR 0.52)

1. Exchange rate used: PEN 1≈ EUR 0.27 as of 8 October 2015.

Sources: Ministry of Economy and Finance (n.d.), "Indicaciones para el uso del formulario virtual electrónico de acceso a la información pública", www.mef.gob.pe/index.php?option=com_content&view=article&id=3565&Itemid=101874&lang=es; www.sucamec.gob.pe/web/index.php/descargas/finish/10-tupa/527-el-texto-unico-de-procedimiento-administrativo-tupa; and www.minedu.gob.pe/tupa/xtras/secretaria_general.pdf.

In addition, as it is the case for any other administrative procedure, payment has to be made *in situ* at the headquarters of each public entity or at the Banco de la Nación with the relevant invoice; this may represent a disincentive for individuals to request information. This aspect is easy to solve: Peru could establish an online payment system to avoid the transaction cost of making the payment *in situ*.

Exceptions

In OECD countries, the FOI law presumes a principle of maximum disclosure of information, i.e. the information held by the state is, in principle, available to the public. However, FOI laws also contain a list of exemptions that may be applied to justify withholding certain information from disclosure. Class tests and harm tests are two common ways to exempt information. Under class tests, any information that falls within a certain category (such as national security) can be denied. Under harm tests, the government can deny a request for information on the basis that disclosure would cause potential prejudice, for example, to an individual, harm to the defence of the state or domestic order. The class tests applied by the greatest number of OECD countries concern exemptions related to national security, international relations and personal data. Exemptions to FOI requests can be both mandatory (a public entity is required to withhold the information) or discretionary (public entities can use their judgement to withhold or disclose information).

In Peru, the law makes a distinction between secret, reserved and confidential information:

- Secret: information classified as secret is based on reasons of national security, in accordance with Article 163 of the Political Constitution of Peru, which also has as its basis ensuring the safety of people and its disclosure would cause risks to the territorial integrity and/or to the survival of the democratic system as well as in relation to intelligence and counterintelligence activities. This includes military operations, installations, military resources and equipment, among others.
- Reserved: information classified as reserved for reasons of national security that are related to internal order and its disclosure would cause a danger to the territorial integrity and/or the survival of the democratic system. Therefore information that aims to prevent and suppress crime in the country and whose disclosure could hamper it is considered reserved. This includes, among others, police operations meant to combat illicit drug trafficking, terrorism and criminal organisations.
- Confidential: information providing advice, recommendations and opinions as part of the deliberative and consultative process of the government decision-making process, unless such information is public. This information refers to bank, tax, commercial, industrial or technological secrecy and personal data, among others.

In these cases, the responsible official should duly substantiate the refusal to provide information on the basis of the exceptions provided for in Articles 15, 15A and 15B pointing out – expressly and in writing – the reasons for the application of the exceptions and the period for which such impediment will last.[20] In this regard, the Constitutional Court has stated that to adequately justify a refusal, the following steps must be taken:

- check that the information requested falls within a legal exception to deny the request for access[21]
- prove that the disclosure of the information harms the judicial asset or the right protected by the exceptions more than the right of access[22]
- weigh between the damage from dissemination of the information and the damage caused by preventing the public from knowing the information.

However, it has been pointed out by the Ombusdman and by the Consortium for Economic and Social Research (*Consorcio de Investigación Económica y Social*) that the

right to information is sometimes limited due to a wrong interpretation of the exceptions, especially on the issue of the need to provide justification for the request that is not compulsory by law. For instance, in the region of Ayacucho, a citizen was denied access to documents related to the social programme "*Vaso de Leche*" because she did not justify why she needed the documents. Similarly, in Lima, information related to the licensing of the construction of a building was denied because they did not have the consent of the public official in charge of the procedure (*Defensoría del Pueblo*, 2015a).

In this sense, Peru does not have policies or guidelines for the classification and declassification of information or more detailed information than the one stated in Articles 15, 15A and 15B of the Law on Transparency, which leaves a high degree of discretion to the public official to decide what information can be provided. The only guidelines that exist relate to the declassification of defence information (Ministerial Resolution No. 392-2011-DE/SG of 30 April 2011).[23]

Training

Furthermore, proper interpretation and application of the exception requires entities to appoint specialised officers to determine properly whether the requested information should be disclosed. The law provides that the public entity appoint a public official who is responsible for delivering the information. Article 4 of the Law on Transparency determines that those officials who fail to comply with the law shall be sanctioned for committing a grave offense, and could even be charged criminally for committing the offense of abuse of authority.

However, the Ombudsman has pointed out that there are several challenges to strengthening the capacity of the public servants in charge of addressing citizens' request. In particular, there is lack of knowledge on the norms that regulate access to information. In fact, Peru does not have a job profile for the public official responsible for access to information.

- Acknowledging this, Peru included in its Open Government Partnership (OGP) Action Plan 2012-13, the establishment of background and experience profiles for officials responsible for access to information to improve quality of service and access to information. However, Peru is behind schedule on this action,[24] due to the heavy responsibility that officials have in addressing requests for information.
- In addition, public servants, especially at the local level, still have paper-based archives and do not process access to information requests electronically. This makes the tasks of identifying the necessary information and ensuring proper follow up to all requests inefficient, costly and slow.

Since Peru does not have a guarantor or authority on the right of access to public information who would be responsible for training public officials, there are only a few scattered public and private entities' initiatives. For instance, in 2014, the Ombudsman's Office carried out a total of 22 training courses and conferences on the right of access to public information, intended for the benefit of 1 100 public officials from different ministries, local governments (*Defensoría del Pueblo*, 2015a) and citizens. Most of the training was carried out for the Ministries of Economy and Finance, Justice, and Interior. In addition, the Public Management Secretariat trained 3 218 public servants and civil society in 2015.[25]

Appeals

According to the Model Law on Access to Public Information, a requester can appeal a refusal for access to information within 60 working days. The requester can ask for an internal appeal with the head of the public authority or for an external appeal with the information commission. Finally, the requester can challenge the decision of the information commission in court.

In Europe, there are two basic models of reviewing administrative decisions on access to information requests. In the first model, the crucial reviewing role is performed by the courts, while in the second it is mainly entrusted to a specialised and independent administrative authority. In Peru, Article 11 establishes that if the interested party has not received a response within the period allotted, the request for information shall be considered to have been denied and the administrative avenue exhausted unless an appeal is filed. The petitioner must file an appeal within the public entity where the request was made in order to exhaust administrative remedies. In many cases, it is the same official that denied the request for information in the first place who will receive the appeal to transfer it to his/her superior. According to the Ombudsman's report (Defensoría del Pueblo, 2013), 42% of the ministries signalled that they do not have a pre-established procedure to solve appeals. This may be an indication that there is little will to revise and rectify a decision.

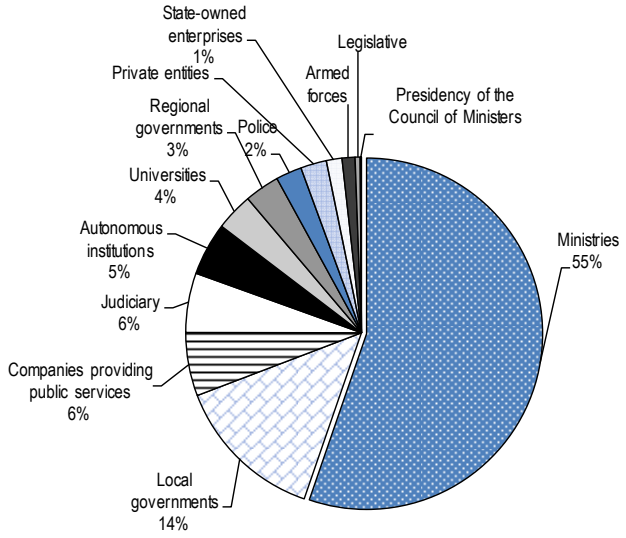
If the decision is unfavourable or if there has been no response within a period of ten days, the interested party may initiate an administrative litigation proceeding or opt for a constitutional *habeas* data proceeding.

- The *habeas* data is a prerogative writ that empowers citizens to act as a legal personal privacy protection tool. The inclusion of these components in the Peruvian supreme law constituted an important starting point to develop national and sector-based policies and programmes in the early 2000s (OECD, 2014). It is up to the Constitutional Tribunal to resolve the *habeas* data proceedings and force the institution to provide the information. In addition, an appeal can also be filed if the information provided is imprecise, false, untimely or incorrect.
- For example, "in 2003, the Constitutional Court of Peru ruled on a *habeas* data action in which the plaintiff affirmed that he had requested information on the expenses incurred by former President Alberto Fujimori and his delegation during the 120 trips made overseas in the course of his presidency, and that the information that had been turned over was incomplete, imprecise and inexact. The court affirmed that the right of access to information was affected not only when the requested information was denied, but also when the information provided was imprecise, false, untimely or incorrect" (OAS, 2011).

Ministries are the institutions that have received more *habeas* data, followed by local governments (Figure 7.9). In 75% of the cases, the information requested should have been provided and only 2% of the information falls into the exceptions.

The number of complaints to the Ombudsman at the national level and the number of *habeas* data instituted by citizens prove that there is an interest to see their right to information granted and a resistance to comply with the law, which forces citizens to turn to external institutions to solve their request.

Figure 7.9. **Institutions against which *habeas corpus* data have been filed**



Source: Based on Defensoría del Pueblo (2013), "Informe Defensorial N° 165 'Balance a diez años de vigencia de la Ley de Transparencia y Acceso a la Información Pública 2003-2013'", www.defensoria.gob.pe/modules/Downloads/informes/defensoriales/informe-165.pdf.

Recommendations

Open government principles are fully embedded in the 2013 National Policy for the Modernisation of Public Administration and its related implementation plan, where they represent one of the three transversal axes that cut across the five main pillars of the reform.[26] Moreover, since 2011, the Open Government Partnership has been a remarkable driver to bring open government policies to the centre of Peru's reform efforts and, through its action plans, has enabled the government to take concrete steps in collaborating with citizens.

However, representatives from both government and CSOs acknowledge that the capacity of the various institutions involved to deliver against their commitments has been limited. More importantly, it appears that the value of open government initiatives has so far been focusing on selected areas of public sector reform, thus underutilising their potential contribution to broader societal goals and, overall, to the country's socio-economic development. This is partly due to the lack of a broader reflection on the value added of the principles and practices of openness, transparency, accountability and citizen participation for areas such as integrity and anti-corruption, inclusive growth, territorial development, conflict prevention and resolution, etc.

Countries should not miss the opportunity to build upon their existing practices and institutional arrangements that have traditionally promoted good governance even before open government was codified as a priority in international and national agendas. These practices range from national dialogue that led to the drafting of new constitutions or national development plans/visions, to consensus-building exercises to solve or avoid social conflicts, and institutions that mediate between government, citizens and business in such areas as public-private partnerships, infrastructure projects, management of natural resources, etc. Examples of this type of institution include ombudsman's offices, anti-corruption agencies or human rights offices, or analogous regional and municipal sector-based commissions.

The open government eco-system in most countries goes far beyond the activities included within their national modernisation strategies or OGP action plans. These practices and institutions provide good examples and concrete experiences that are often more institutionalised and have been successfully implemented for longer than OGP membership, and should therefore be considered as an integral and fundamental part of any national vision on open government.

- In the case of Peru, institutions like the Ombudsman, the National Office for Dialogue and Sustainability, and the National Agreement[27] bear testimony to the many and diverse attempts of the people and governments to promote and implement open government principles. They also constitute solid pillars on which to build a broader and more integrated national open government agenda for Peru.
- In order to increase the reach, inclusiveness and effectiveness of its open government agenda, Peru should build on the good practices of the Ombudsman, of the National Office for Dialogue and Sustainability, and of the National Agreement. This would allow Peruvian policy makers to promote a more integrated national vision of what open government means for Peru and how to strategically use it to better achieve national policy outcomes. In particular, by including the National Office for Dialogue and Sustainability and the National Agreement in the Multisector Monitoring Committee (the Ombudsman is already a member), would give them the opportunity to play a crucial role in disseminating a culture of openness and accountability and in ensuring higher implementation rates, especially at the local level.

In addition, Peru could consider the following recommendations:

1. Strengthen the governance of open government

- Define a national stand-alone open government policy to go beyond the open government components of the 2013 National Modernisation Strategy and its implementation plan (DS 004-2013-PCM and RM 125 -2013-PCM) and provide a broader and more integrated context to the specific initiatives of the OGP action plans. This would allow Peru to develop a more detailed and specific approach on how to promote the principles of transparency, accountability and citizen participation in the country, at all level of government, and link them to the objectives of the national or territorial development plans.
- Strengthen the co-ordination role of the Public Management Secretariat and establish a systematic monitoring and evaluation function within it, coupled with a system of incentives/disincentives for public servants in charge of the implementation of open government initiatives, especially in the area of access to information.
- Revitalise the Multisector Monitoring Commission and consider expanding its role to turn it into a forum to discuss the country's open government priorities (and eventual national policy), to recognise obstacles to the successful implementation of Peru's OGP Action Plan, and to jointly identify solutions.
    - Improve its functioning by organising more meetings on a consistent basis, promoting the participation of all relevant stakeholders, instituting the requirement to provide implementation reports to the commission and the publication of minutes of each session, which can allow citizens to be better informed about Peru's open government efforts and CSOs and the media to play their role of watchdogs. The combined impact of some or all of these

actions will have positive repercussions on the implementation of present and future OGP action plans.

- Ensure that the institutions involved in the OGP action plan appoint qualified staff in charge of the implementation of their respective commitments.
- Provide more extensive training opportunities for public officials at central and local level on open government principles and practices.
- Carry out large-scale awareness campaigns to inform the general population on the OGP action plans as well as the different members of the government and the legislative branch.

2. Strengthen the management of Peru's transparency and access to information framework

- To increase the level of institutional compliance to the requirement of the access to information law and facilitate citizens' access to information, Peru should consider the following:
  - Improve the compliance of national institutions to the requirements of the access to information law, either through the creation of an oversight body or by giving this responsibility, and relative powers and funds, to an existing institution.
  - Develop a binding regulatory framework to define incentives and sanctions for public officials in charge of dealing with access to information requests.
  - Make it mandatory to respond to every request for information in writing.
  - Set the same parameters to define fees for all public institutions to ensure coherence in the fees.
  - Implement capacity to make online payments to reduce the cost incurred reaching the public entity or bank, and especially if the request for information was filed online.
  - Develop guidelines for the classification and declassification of information.
  - Design job profiles of public officials in charge of implementing the law and base recruitment on them.
  - Use IT to process the requests for information, monitoring their status and communicating their final outcomes to citizens.
  - Design specific training modules on the right of access to public information and include them in the HRM strategy to develop the competency of the civil service, as part of the broader attempt to promote knowledge of open government principles and practices.
  - Establish clear guidelines on how to address appeals and record the appeal process to monitor how these have been addressed.
  - Provide specific support to regional and local administrations to publish online the information required by the Law on Transparency through capacity-building activities and the provision of the necessary IT equipment.

Notes

1. The "policy cycle" means: 1) the identification of policy priorities; 2) the drafting of the actual policy document, 3) the policy implementation; and 4) the evaluation of its impacts and the use of impact evidence to improve the policy or change course to improve results. "Citizens' participation in the policy cycle" (CPPC) means any activity that foresees the involvement of citizens (including civil society organisations and organisations representing the private sector) in the four above-mentioned building blocks of the policy cycle.
2. www.whitehouse.gov/open/about/policy.
3. www.whitehouse.gov/open/documents/open-government-directive.
4. www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=28108.
5. www.opengovpartnership.org/countries.
6. www.ogptunisie.gov.tn.
7. www.dos.ny.gov/coog.
8. www.opengovpartnership.org/country/peru.
9. http://vigilagobiernoabierto.pe/blog/sociedad-civil-no-fue-considerada-en-aprobaci-n-de-plan-de-acci-n-de-gobierno-abierto.
10. http://vigilagobiernoabierto.pe/blog/por-un-gobierno-abierto-que-ponga-la-informaci-n-p-blica-al-alcance-de-la-ciudadan.
11. By Official Letter No. 1359-2012-DP, dated 9 November 2012.
12. By Official Letter No. 667-2013-DP, dated 8 May 2013.
13. By Official Letter No. 369-2014-DP, dated 18 August 2014.
14. Luxembourg does not have an access to information or freedom of information law (Centre for Law and Democracy and Access Info, n.d.).
15. www4.congreso.gob.pe/ntley/Imagenes/Constitu/Cons1993.pdf.
16. http://sc.pcm.gob.pe/2014/04/informes-de-transparencia.
17. Supreme Decree No. 072-2003-PCM, www.mef.gob.pe/index.php?option=com_content&view=article&id=833%3Adecreto-supremo-nd-072-2003-pcm&catid=298%3Anormas-legales&Itemid=100143&lang=es.
18. For more information, see www.minsa.gob.pe/portada/transparencia/solicitud/frmFormulario.asp.
19. For more information, see www.minsa.gob.pe/portada/transparencia/solicitud/frmFormulario.asp.

20. See Article 13 of the Consolidated Text of Law for Transparency and Access to Public Information, Law No. 27806, Item f, Article 5 of the Regulations of the Law for Transparency and Access to Public Information, Law No. 27806.
21. Constitutional Court. File No. 950-00-HD/TC, Foundation No. 6.
22. Ibid.
23. Available at: www.mindef.gob.pe/informacion/transparencia/rm_392_2011.pdf.
24. www.opengovpartnership.org/country/peru/action-plan.
25. Pursuant to Official Letter No. 2034-2015-PCM-SG/SGP.
26. www.pcm.gob.pe/reformas/?p=49.
27. For more details, see Annex 7.A1.

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Annex 7.A1.

Peru's institutional arrangements for open government

Peru's Ombudsman - The Defensor del Pueblo

The Defensor del Pueblo has been associated with Peru's Open Government Partnership (OGP) process, participating in the elaboration of the first Action Plan and taking on responsibility for a commitment in the second. This is in line with the recommendations of the International Ombudsman Institute (IOI) which is encouraging ombudsmen to be active in the OGP process. The ombudsman is well-placed to contribute to dialogue between civil society and government and to the drafting, implementation and monitoring of the action plans (Tyndall, 2014).

With its traditional role as a guardian of public interest, the Office of the Ombudsman has been an effective actor of open government far beyond Peru's recent commitments within the framework of the OGP. The Ombudsman promotes a transparent, responsive and accountable government. Thanks to the individual complaints and the investigations the Ombudsman conducts, the office collects valuable data on the performance of public institutions at all levels of government. Highlighting specific and systemic failures in its annual reports and, where applicable, also via press statements, it provides transparency about government action. Most of the time, these are presented to parliament supporting it in its role of holding government to account. In addition, at the core of its work, the Ombudsman serves as a direct means to engage with citizens. It offers them an avenue to seek redress in their interaction with the public administration through handling complaints. Thereby it channels citizens' voices into the policy-making cycle, informing public servants about the problems citizens face, their most pressing needs and their attitudes towards government. As its working method is based on finding amicable solutions, to mediate if possible, the Ombudsman promotes a different pattern of engagement, one that is based on collaboration and consensus-building instead of on confrontation.

Ombudsman institutions around the world

In most countries, institutions are established to monitor and implement the rule of law, fight against corruption and promote good public administration. Although the specific role of the ombudsman institution/office may vary, the holder of this office is legitimised by parliament or congress, either through direct elections or through appointment by the head of state or government by/or after consultation with parliament/congress (International Ombudsman Institute, n.d.). The ombudsman was originally created in Sweden in 1809 and was the only one for at least 100 years until Finland established its own in 1919. The last 30 years have witnessed a dramatic growth in the number of institutions throughout the world as countries have transitioned toward democracy, especially in Latin America, and there are now approximately 120 ombudsman offices worldwide (Office of the Ombudsman, n.d.).

The role of the ombudsman is to protect the people against violation of rights, abuse of powers, unfair decisions and maladministration. Ombudsman institutions play an increasingly important role in improving public administration while making the government's actions more open and its administration more accountable to the public and they have become an important component of democratic governance (International Ombudsman Institute, n.d.).

It provides citizens with an independent agency that receives and investigates complaints against the public administration, makes recommendations regarding these complaints, and attempts to have the recommendations adopted by the administration. Each country's ombudsman is adapted to the local context and integrated into its institutional set up. As a consequence, ombudsmen offices have wide variations in mandate, powers and functions. Some ombudsmen offices operate at the national level while others operate also at the regional and municipal levels. Some have a general mandate to supervise the public administration, while others supervise only one institution or administrative field. In addition, there are significant functional differences between institutions.

Box 7.A1.1. **Categories of ombudsman institutions/offices**

Classical ombudsman

The classical function of an ombudsman institution is to investigate complaints against the public administration, make recommendations on actions to be taken by the administration, and try to get these recommendations adopted. Ombudsman institutions following the classical model often have extensive powers to investigate cases submitted to them. They may work towards mediation of conflicts, but if no solution can be reached, they provide recommendations to the relevant administrative unit. The classical ombudsman institution has no power of coercion and can only employ "soft" pressure to get its recommendations adopted. The ombudsman institution submits an annual activity report to the parliament to draw the latter's attention to remedied grievances.

Classical ombudsman institutions are common in Western Europe and some of the Commonwealth countries. Examples include Australia, Belgium, Bulgaria, Denmark, Ireland, Iceland, Israel, the Netherlands, Norway and the United Kingdom.

In recent years, ombudsmans institutions with an extended legal mandate to get its recommendations adopted have started to appear. Legal powers vary between countries and may include the powers to: appeal to courts, participate in court proceedings, file applications in administrative proceedings, propose legislative amendments, and recommend disciplinary or criminal proceedings. The classical ombudsman institution with extended legal powers can be found in all regions of the world, especially among younger institutions. These countries include Botswana, Croatia, Estonia, Ethiopia, Kazakhstan, Papua New Guinea, Poland, Portugal and Spain.

Human rights ombudsman

Ombudsman institutions in this category have a specific mandate to look into the observance of human rights. In some cases, the ombudsman institution is restricted to handle only human rights issues, while in others the human rights function is added to the classic mandate. The tasks of a human rights ombudsman institution often include: filing of human rights violations, educating and informing the public on human rights, reporting on the general human rights situation in the country, conducting research and analysis in human rights, and monitoring the implementation of human rights within the country.

Box 7.A1.1. **Categories of ombudsman institutions/offices** *(continued)*

Human rights ombudsman institutions are particularly common in Eastern Europe, Central Asia and Latin America. Examples of countries include all Latin American countries, Albania, Armenia, Hungary, Kyrgyzstan, Papua New Guinea, Chinese Taipei and Tanzania. In Azerbaijan, Bolivia, Colombia, El Salvador, Georgia, Uzbekistan and the Bolivarian Republic of Venezuela, the ombudsman institution is restricted to only human rights issues.

Anti-corruption ombudsman

Ombudsman institutions in this category have a specific mandate to curb corruption. These often operate as a combined ombudsman institution and anti-corruption agency. Its specific functions may include overseeing the conduct of senior public officials, collecting and reviewing assets and income declarations, investigating instances of alleged or suspected corruption, and educating and informing the public regarding issues related to corruption.

Anti-corruption ombudsman institutions are mostly found in Asia and Africa. Country examples include Gambia, Ghana, Korea, Papua New Guinea, Chinese Taipei, Rwanda and Vanuatu.

Auditing ombudsman

A few ombudsman institutions have a specific auditing mandate, which gives them the power to oversee government bodies and/or conduct audits of the administrative practices and procedures of government bodies, irrespective of whether they have received an individual complaint. Ombudsman institutions with an auditing mandate can be found among the Australian regional ombudsman institutions and in Ethiopia.

Source: World Bank (n.d.), "Differences between ombudsman institutions", http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPUBLICSECTORANDGOVERNANCE/0,,contentMDK:23543235~pagePK:148956~piPK:216618~theSitePK:286305,00.html.

Box 7.A1.2. **Difference between ombudsman institutions/offices across the regions**

Europe and central Asia

The Nordic countries led the establishment of ombudsman institutions in the region. After the Second World War, the concept spread quickly throughout Western Europe. But the institution appeared much later in Eastern Europe, starting in the 1990s after the fall of the Soviet Union. Recently, central Asian countries including Azerbaijan, Kazakhstan, Kyrgyz Republic and Uzbekistan have established their own ombudsman institutions.

The mandate of ombudsman institutions in Western Europe generally follows the classic model. Usually it does not go beyond handling complaints regarding public administration. Issues pertaining to human rights, anti-corruption and other similar issues are processed through the judicial system.

In many of the Eastern European countries, ombudsman institutions emerged after a period of totalitarian rule. This historical heritage strongly affected the role of the institution. In contrast to its Western European counterparts, Eastern European institutions focus more on human rights. Similarly, the ombudsman institutions in central Asia were established primarily to enforce human rights laws and regulations.

Latin America and Caribbean

Latin America's first ombudsman institution was established in Guatemala in 1985. Since then, almost all other countries in the region have established an ombudsman institution, or a Defensor del Pueblo, which is the Spanish name commonly used for the institution in the region.

The institution was adopted during the 1980s when most Latin American countries transitioned from authoritarian regimes towards democracy. Due to the lack of human rights protection during the military dictatorships and internal conflicts, human rights protection became the ombudsman institutions' primary function. To date, it remains one of the ombudsman institutions' main roles in the region.

Box 7.A1.2. **Difference between Ombudsman institutions/offices across the regions** (*continued*)

Africa

The first African country to establish an ombudsman institution was Tanzania in 1966. Zambia, Zimbabwe and Uganda followed in 1974, 1980 and 1986, respectively. However, the spread of the institution did not take off until the 1990s, when there was a dramatic increase in the number of ombudsman institutions in the region.

The first Africa ombudsman institutions followed the classic Nordic model. But in recent years, these have been increasingly modified to better fit the African context. Countries such as Ghana and Tanzania shut down their classical ombudsman institutions and replaced them with institutions that have a broader mandate to meet the needs of their respective countries. In general, ombudsman institutions in Africa operate today under comprehensive mandates, including human rights protection, anti-corruption, leadership code enforcement and/or environmental protection. The ombudsman institutions are increasingly recognised as central pillars of the institutional arrangements aimed at enforcing democracy and good governance.

Ombudsman institutions are named differently across the African continent. While the Swedish name "ombudsman" is used in some countries, others are called "human rights commissions". A majority of the francophone countries use the French word *médiateur* as the label for the institution.

Middle East and North Africa

Ombudsman institutions only exist in a few countries in the Middle East and North Africa. These include Jordan, Morocco and Tunisia, where they assume the classical role of handling complaints regarding practices and decisions taken by the public administration.

South Asia

Pakistan and Sri Lanka are the only south Asian countries that have national level ombudsman institutions. These have a general mandate to investigate complaints regarding the public administration. Sri Lanka established its ombudsman institution in 1982 followed by Pakistan in 1983. In addition to the national level general purpose institution, Pakistan established its ombudsman institution with specific mandates in the fields of tax, insurance and banking in the early 2000s. In some areas, Pakistan also has regional level ombudsman institutions. Similarly, India has regional level institutions in some states, but has yet to establish a national level ombudsman institution.

East Asia and the Pacific

In 1962, New Zealand established its ombudsman institutions. It was the first country in the region and the fourth in the world to do so. New Zealand's version followed the classic model and became the basis for many of the ombudsman institutions in the region. As a consequence, most of the ombudsman institutions in Asia Pacific have the mandate of investigating complaints pertaining to practices and decisions taken by public administrations. Others, such as the ombudsman institutions of Papua New Guinea and Chinese Taipei, have much broader mandates, including human rights protection.

Source: World Bank (n.d.), "Differences between ombudsman institutions", http://go.worldbank.org/QTBIMHDG10.

The Ombudsman in Peru

In Peru, the Ombudsman is an independent public body established by the Political Constitution of 1993. Its main function is to defend the fundamental rights of the individual and the community, monitoring the compliance of the duties of the state and the adequate provision of public services to citizens.

The Ombudsman Office has the following functions:

- **Investigate**: can initiate and pursue investigations, either on its own initiative or at the request of any interested person whose rights have been affected by the state administration, its agents including non-state legal persons providing public services. Also, it can investigate as a priority issues that may be affecting a significant number of people.
- **Exercise of legislative power**: the Ombudsman can submit bills before the Congress.
- **Reporting on issues of particular importance**: the Ombudsman prepares reports on matters within its competence, known as Ombudsman's reports, and submits an annual report to Congress on the management of the Ombudsman Office.
- **Intervene in constitutional proceedings**: in order to defend human rights and the principle of constitutional supremacy, the Ombudsman is empowered to intervene in the constitutional processes of *amparo*, *habeas corpus*, *habeas* data, unconstitutionality popular action and enforcement action. His/her intervention can be accomplished by various methods. Thus, it can initiate constitutional processes, intervene in pending proceedings as an intervener or submit briefs as *amicus curiae* and may file reports or opinions at the request of the parties or the Constitutional Court.
- **Promote human rights treaties**: the Ombudsman is empowered to promote the signature, ratification, adherence and effective dissemination of international human rights treaties, in order to ensure their implementation. It also promotes national legislation and practices are carried out according to the provisions of the treaties signed by Peru.
- **Promote administrative procedures**: the Ombudsman can initiate any administrative proceeding or to participate in it on his/her own initiative or at the request of a third party, using the criterion of discretion on behalf of one or more persons, for the defence of the fundamental and constitutional rights.

The Ombudsman of Peru has developed an Institutional Strategic Plan (Plan Estratégico Institucional) around the following topics of utmost importance:

- defend the full enjoyment of fundamental rights of the individual and the community before the state administration and encourage strengthening citizenship for its exercise
- contributing to the democratic governance of the country, promoting transparency and state decentralisation and its ability to prevent social unrest
- strengthen and modernise the internal institutional organisation to meet citizens' needs efficiently and effectively.

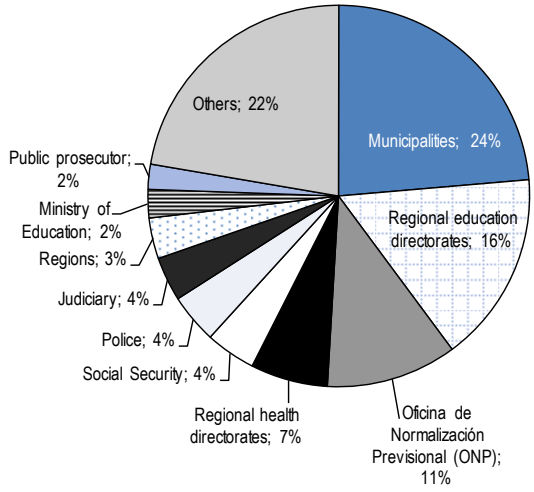
The PEI gives preferential attention to vulnerable groups in conditions of inequality or that require special protection such as boys and girls, women, indigenous groups, people with disabilities, the elderly, detainees and persons affected by violence. It focuses on seven strategic topics: health, education, access to justice, environment, utilities, identity and citizenship, and social conflicts.

The Ombudsman institution plays an important role at the local level. It has 38 local representations across Peru divided into 28 regional offices and 10 Ombudsman attention offices (*módulos de atención*) (Figure 7.A1.1). In 2014, the regions recorded 86 359 cases (74.02%) while in Lima 30 312 cases (25.98%) were recorded.

Municipalities ranked first among public institutions with the highest number of complaints nationwide, reaching 23.7%. (Figure 7.A1.1) Among the main reasons for

complaints are irregularities in administrative procedures, lack of response to citizen requests, labour claims, violations of the right to access to public information. These are also the main reasons at the regional level.

Figure 7.A1.1. **Public institutions with the highest number of complaints**



Source: Defensoría del Pueblo (2015).

Social conflicts

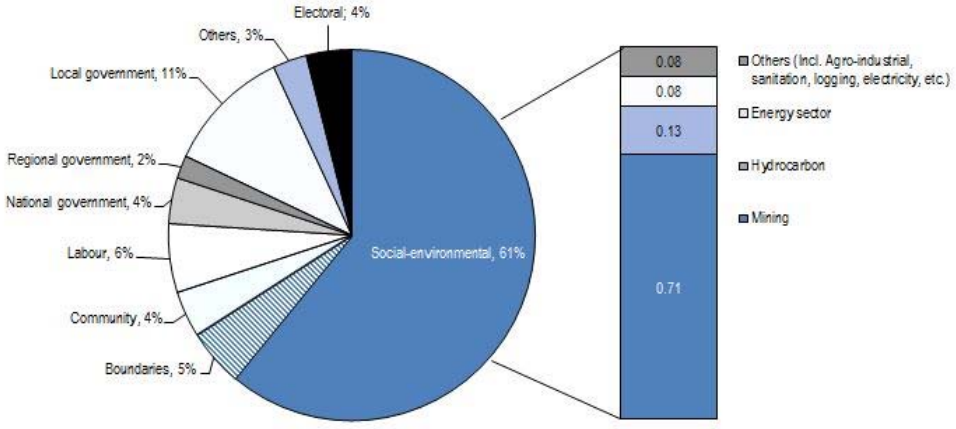
As economic growth consolidates in Peru, mainly driven by extractive industries, social tensions between local communities, the private sector and the state have been widely recorded over past years. As stated by Ban Ki Moon, UN Secretary General, "The development process generates inevitable conflicts as new actors arise, resources and priorities change and social divisions are corrected or deepened". In Peru, in some jungle, mountain and rural areas of the country, over 60% of the population continues to live in poverty. The income distribution gap remains quite large as well. This economic disparity has contributed to rising social unrest (Taft-Morales, 2013). Most of the conflicts occur in areas where the state has a very limited presence. In addition, conflicts are often related to sectors where the government is perceived by the population as an actor of the conflict, for instance as an ally of extractive companies (ONDS-PCM, 2014).

For more than ten years, the Ombudsman' Office has been working actively to address social conflict through its Social Conflicts and Governance Unit. This unit has sub-units in every ombudsmen office at the regional level and has also created mobile units (*oficinas moviles*) that travel throughout the country in order to be close to the source of conflict, have direct relations with stakeholders and civil society organisations, issue monthly bulletins resulting from their monitoring activities and participate in dialogue processes. The Ombudsman plays a key role in promoting dialogue and this practice has generated a virtuous collaboration with other public institutions, such as, for instance, the National Office for Dialogue and Sustainability (Oficina Nacional de Diálogo y Sostenibilidad) at the PCM.

The Ombudsman's Office creates opportunities for dialogue and collaboration permanently with the state to prevent or mediate in situations that generate a threat or a violation of fundamental rights, or affect local, regional or national governance.

Specially, its work addresses conflicts over consultation processes on the impact of mining, logging and hydrocarbons in the environment. The year 2014 started with 213 social conflicts and ended with 210 conflicts, most of them related to the initiation and development of extractive industries and their relationship with communities, population centres and farmers (Figure 7.A1.2).

Figure 7.A1.2. **Main sources of social conflict**



Source: Defensoría del Pueblo (2015).

The Ombudsman can intervene to guarantee the rights of citizens in the case of a conflict in the following cases:

- a culture of peace and dialogue is discouraged
- its mediation is requested
- its presence in roundtables or high commissions is requested
- to carry out actions to ensure respect for the fundamental rights to life, integrity and health through the evaluation of people injured and detained in case of violent acts
- in the critical phase of a conflict to monitor the police, prosecutor and judiciary
- if there is need to facilitate access to information for actors of a social conflict.

The role of the Ombudsman in promoting open government

The Defensor del Pueblo of Peru is one of the most active proponents of open government among ombudsman worldwide. As discussed above, the Defensor del Pueblo has taken a key role in promoting access to information, monitoring its implementation and providing recommendations to create conditions more favourable to the successful implementation of the right to information. Furthermore, in addition to its traditional role of receiving complaints from individual citizens, Peru's Ombudsman with its local offices is well-placed to reach out to citizens in the most remote areas, ensuring that their voices are also heard in the policy-making process at the local and national level. Its extensive experience in mediating between the government and different social groups to address or

avoid social conflict is an effective gateway to enhance citizen participation and public sector accountability in Peru.

National Office for Dialogue and Sustainability

In July 2012, President Ollanta Humala committed to change the management of national conflicts through new initiatives that were aimed at reducing social tensions. The first law President Humala signed was the Law of the Right to Prior Consultation to the Indigenous or Native People (Ley del Derecho a la Consulta Previa a los Pueblos Indígenas u Originarios), requiring mining, energy and logging companies to consult with indigenous and rural communities about projects planned in their territories, which had been the source of much social conflict. Former President Alan García had vetoed a similar law and violent conflicts over land use continued throughout his term. The law brings Peru into compliance with the International Labour Organization's Convention on Indigenous Peoples, which Peru ratified in 1993. The convention requires that companies consult indigenous groups before entering their ancestral territories to exploit natural resources. Implementing regulations went into effect on 4 April 2012 (Taft-Morales, 2013). However, government delays in publishing an Official Database of Indigenous Peoples, which determines which indigenous populations in which area will be eligible for prior consultation, and the complex consultation rules are hindering implementation of the law (Taft-Morales, 2013).

To further pursue Peru's goal of reducing social conflicts, the National Office for Dialogue and Sustainability was created through Decree 106-2012-PCM in October 2012. It is a specialised technical body within the Presidency of the Council of Ministers, and is responsible for:

- leading the process of dialogue involving the different social actors, representatives of private and public organisations as well as officials at various levels of government, to channel citizens' demands and provide a solution for the settlement of disputes, differences, conflicts and expectations of the population
- enhancing co-ordination with the executive and other levels of government for the prevention and management of disputes, differences, social conflicts, expectations of the population, and for defining policies and strategies in this area
- strengthening functions related to research, prevention, dialogue, promotion and management, so that social conflicts policy established by the government is implemented, comprehensive, consistent and sustainable.

In its methodology, the National Office for Dialogue and Sustainability has characterised the conflicts as follows:

- Difference: conflict of judgment or opinion – "cognitive conflict" – which occurs when one party believes that other(s) has/have come to wrong conclusions about facts. It is fundamentally a clash of opinions.
- Controversy: opposition of interests or positions regarding a fact, an action or a decision. An interest is an objective or goal which a social group pursues, while one position is the vision or representation that the group has been forged. Both revolve around a fact, concrete action or decision.
- Social conflict: a dynamic social process in which two or more interdependent parties perceive that their interests are opposed: incompatible goals, resource shortages and

interference of the other party to achieve their own goals; and initiate actions that may constitute a threat to the governance and/or the public order, and for whose resolution state intervention is required in his capacity as mediator, negotiator or guarantor of rights.

The National Office for Dialogue and Sustainability has three main forms of intervention:

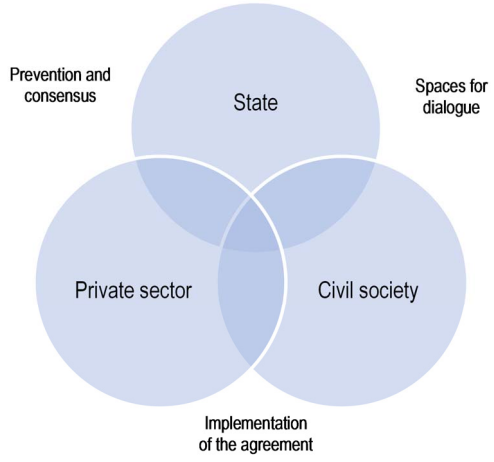
1. Prevention: done before the outbreak of the social conflict or before it escalates.
2. Treatment: occurs when the social conflict is expressed openly and can even reach a crisis. When this occurs, the office seeks to achieve the de-escalation of it, trying to channel it toward a solution through dialogue and negotiation.
3. Monitoring: monitors and follows up the established mechanisms for conflict resolution (roundtables, working groups, etc.). The purpose is to identify new potential problems that eventually lead to the resurgence of the conflict.

One example of its *modus operandi* is the use of "spaces for dialogue" as a preventive tool and to address conflicts. These roundtables are defined as "a mechanism for citizen participation and consensus building", whose purpose is to develop a process to help create a climate of confidence among potential actors involved in a conflict, in order to reach a better understanding of their interests, positions and needs, and thus arrive at mutually beneficial arrangements (ONDS-PCM, 2014). Between July 2012 and July 2014, Peru had 156 "spaces for dialogue" divided into roundtable, working groups, multi-sector commissions and other modalities, helping to solve 98 cases of social conflict.

Between July 2012 and July 2014, the National Office for Dialogue and Sustainability carried out 5 106 activities at the national level to promote dialogue between different parties of a conflict. These were divided into:

- 1 904 activities with state actors
- 1 066 with civil society
- 660 with the private sector
- 1 476 multisectoral including actors of the state, civil society and the private sector (Figure 7.A1.3).

Figure 7.A1.3. **The National Office for Dialogue and Sustainability approach**



Source: ONDS-PCM (2014), "Diálogo, dos años después, Perú: Estado y conflicto social", http://onds.pcm.gob.pe/wp-content/uploads/2014/09/DIALOGO_ONDS.pdf.

As for the case of the ombudsman institution, the National Office for Dialogue and Sustainability provides an effective instrument to promote citizens' consultation and participation and in the promotion of a culture of transparency, openness and accountability. This is even more noticeable as the office works in areas where these principles are particularly weak and much needed, where the government's presence is to be improved, and where the implementation of the various initiatives of Peru's OGP Action Plan has been the least successful. Its involvement in Peru's national open government agenda would provide it with greater impact as well as relevance for local communities at the subnational level.

National Agreement

National visions and strategic plans aim to provide a country with policy guidance within and beyond electoral cycles. OECD analysis suggests that these visions are more legitimate and find more support within government and society as a whole when they are elaborated in an inclusive manner. Several OECD member and partner countries have engaged in open and inclusive processes not only to define the objectives of their strategic visions, but also to implement them, monitor them and refine them over time. A national vision, given its broad focus and time horizon, lends itself to public engagement as it aims to define the future for all citizens. Like Lithuania and South Africa (Box 7.A1.3), Peru can build on the already existing, and generally appreciated, open government practices of its National Agreement. Until today, the National Agreement remains an institutionalised forum for regular dialogue among various actors in society (government, political parties and civil society, among others). This engagement mechanism could be further used to organise an ad hoc dialogue about Peru's contested open government agenda, which is currently in a critical stage.

After Peru's political turbulence and the struggle of public powers in 1992, Peruvian authorities decided to restructure public institutions. The 1979 Constitution was abolished, the parliament was dissolved and a new Constitution entered into force in 1993. Efficient horizontal and vertical co-operation and the implementation of

cross-cutting policies were necessary to rebuild the Peruvian state; as well as to redesign, strengthen and consolidate its public institutions; and restore public trust. Co-ordination between Peruvian public authorities, political leaders and civil society was crucial in this respect. Therefore the Compromiso de Diálogo para lograr un Acuerdo Nacional was signed on 5 March 2002 that formally established the National Agreement on 22 July 2002 (DS 105-2002-PCM, 17 October 2002).

The National Agreement has the purpose to define state policies with a long-term vision, more precisely until 2021, based on dialogue and consensus. To successfully achieve such an ambitious goal in an inclusive manner, a forum on governance and three additional thematic forums on each of the objectives were constituted, decentralised forums in all the regions were carried out and several consultative mechanisms were established:

- Suggestion boxes: between May and June 2002, 200 000 surveys regarding the creation of the National Agreement were distributed in more than 350 agencies of the National Bank nationwide; 44 277 people responded.
- Hotline: between May and June 2002 a public telephone line was made available. It received a total of 1 147 calls from across the country to inquire about the National Agreement and through which 107 people responded to the survey.
- Website: between 6 March and 15 June 2002, 337 859 visits were recorded on the website www.acuerdonacional.pe to consult and send suggestions regarding the creation of the National Agreement. Also, through it, 222 people completed a survey.

Box 7.A1.3. **Defining national visions based on open government practices**

The government of Lithuania has engaged in an in-depth process to define its national strategy "Lithuania 2030". The State Progress Council, led by the centre of government, was responsible for the drafting process of the strategy: government authorities, business leaders, community groups and prominent public figures participated in its development. Three working groups were set up on smart economy, smart governance and smart society. The consultation involved the national level and Lithuanians living abroad. The council also went on a road trip to discuss with mayors, municipality representatives, young people and non-governmental organisations. Innovative approaches were developed to involve harder to reach groups. Since the elderly were especially seen not to believe in the strategy, the council reached out to school children, who were trained to interact with the elderly. The outcome is a national strategy which is guiding the policies of the whole country and whose implementation is monitored in an inclusive process (OECD, 2015).

South Africa equally embarked on an inclusive process to define its National Development Plan – "Our future, make it work, South Africa's vision till 2030". A commission with 25 commissioners was responsible for leading the planning process. It was supposed to take an independent view and consult various stakeholders in society. They consulted policy communities, community-based organisations, political parties, labour unions, business organisations, government departments, the Forum of South Africa Director's General, Cabinet, and provinces and municipalities through various means such as TV and radio interviews and talk shows, newspaper inserts and op-ed pieces, roundtable discussions, fireside chats, social media conversations, Jam – 72-hour collaborative online brainstorming session, YouTube – animations and a dedicated e-mail address for written comments/submissions. This process aimed at defining overarching goals, building consensus and providing a common framework for action given the limited resources.

Sources: OECD (2015), *Lithuania: Fostering Open and Inclusive Policy Making*, http://dx.doi.org/10.1787/9789264235762-en; Mathe, K. (2014), presentation on the National Development Plan by the National Planning Commission Secretariat, South Africa in the framework of an OECD seminar, 24 March 2014.

It has tripartite structure composed of the three levels of government, political parties represented in the Congress and civil society organisations at the national level (Table 7.A1.1).

Table 7.A1.1. **Members of the National Agreement 2015**

Government	President of the Republic President of the Council of Ministers National Assembly of Regional Governments Association of Municipalities of Peru
Political parties	Acción Popular Alianza para el Progreso APRA – Partido Aprista Peruano Fuerza 2011 Partido Humanista Peruano Partido Nacionalista Peruano Partido Popular Cristiano Perú Patria Segura Perú Posible Restauración Nacional Siempre Unidos Solidaridad Nacional Somos Perú Todos por el Perú Unión por el Perú
Civil society organisations	Concilio Nacional Evangélico del Perú Confederación General de Trabajadores del Perú (CGTP) Confederación Nacional de Instituciones Empresariales Privadas (CONFIEP) Conferencia Episcopal Peruana Consejo Nacional de Decanos de los Colegios Profesionales Coordinadora Nacional de Frentes Regionales Mesa de Concertación para la Lucha contra la Pobreza Plataforma Agraria de Consenso (represented by the Junta Nacional de Usuarios de los Distritos de Riego del Perú [JNUDRP] and the Convención Nacional del Agro Peruano [CONVEAGRO]) Sociedad Nacional de Industrias
Other instances	Executive Secretary Advisory Committee High-level Technical Committee

Source: http://acuerdonacional.pe/foro-del-acuerdo-nacional/instituciones-miembros.

The President of the Republic is the Chairman of the National Agreement, who may delegate its role to the President of the Council of Ministers. In addition, the Executive Secretariat of the National Agreement has the responsibility to organise outreach activities, monitors the agreements of the National Agreement, and promotes the discussion and approval of long-, medium- and short-term agreements. However, as of October 2015, the monitoring and annual reports available online are out of date, as they go only until 2008.[1] The National Agreement approved 34 state policies framed along 4 major objectives (Box 7.A1.4).

All public policies, plans and strategies of the three levels of government and legislative initiatives must be framed around these 34 state policies. They are also meant to inform the strategic planning of the private sector, civil society organisations, multilateral organisations and political parties, as their activities need to contribute to reaching their objectives. Public policies affecting the medium- and long-term development of Peru must be submitted to the National Agreement Forum, where they are presented, discussed and eventually approved. All public policies should support one or more state policies, as defined in the 2002 National Agreement. Box 7.A1.5 presents examples of public policies that have been submitted to and approved by the National Agreement.

Box 7.A1.4. **National Agreement: State policies that were discussed and agreed**

- Democracy and rule of law
  1. Strengthening of the democratic governance and rule of law.
  2. Democratisation of political life and strengthening of the party system.
  3. Affirmation of national identity.
  4. Institutionalisation of dialogue and consensus-building mechanisms.
  5. Government according to the objectives of strategic planning, national perspective and transparent procedures.
  6. Foreign policies for peace, democracy, development and integration.
  7. Eradication of violence and strengthening of public mindedness and citizen security.
  8. Political, economic and administrative decentralisation to favour a comprehensive, harmonious and sustained development of Peru.
  9. National security policy.
- Equity and social justice
  10. Poverty reduction.
  11. Promotion of equal opportunities without discrimination.
  12. Universal access to free and quality public education and promotion and protection of culture and sport.
  13. Universal access to health and social security services.
  14. Access to full, decent and productive employment.
  15. Promotion of food security and nutrition.
  16. Strengthening of family, protection and promotion of children, adolescence and youth.
- Country competitiveness
  17. Affirmation of the social market economy.
  18. Search for competitiveness, productivity and formalisation of the economic activity.
  19. Sustainable development and environmental management.
  20. Science and technology development.
  21. Development in infrastructure and housing.
  22. Foreign trade policy for extending markets with reciprocity.
  23. Agricultural and rural development policy.
- Efficient, transparent and decentralised state
  24. Confirmation of an efficient and transparent state.
  25. Prudence in the institutionalism of the military forces and their service to democracy.

Box 7.A1.4. **National Agreement: State policies that were discussed and agreed** (*continued*)

26. Promotion of ethics and transparency and eradicating corruption, money laundering, tax evasion and smuggling in all its forms.
27. Eradication of production, trafficking and use of illegal drugs.
28. Full observance of the Constitution and human rights and access to justice and judicial independence.
29. Access to information, freedom of expression and freedom of the press.
30. Elimination of terrorism and affirmation of national reconciliation.
31. Fiscal sustainability and reducing the debt burden.
32. Disaster risk management.
33. State policy on water resources.
34. Planning and territorial management.

Source: Acuerdo Nacional, http://acuerdonacional.pe/politicas-de-estado-del-acuerdo-nacional/politicas-de-estado%E2%80%8B/politicas-de-estado-castellano.

Box 7.A1.5. **Examples of public policies developed in the framework of the National Agreement**

- Decision of the current government to increase the share of the education sector's budget of at least 0.25% annually in order to reach 6% of the national budget. This will be mainly used for the revalorisation of the teaching profession, improving the quality of learning, improving the educational infrastructure and schools management.
- Social pact of mutual commitments for education 2004-2006, which contributed to the National Education Project, which addressed state policy 12 of the National Agreement: Access to a free and high-quality public education.
- The Law for the System and the Strategic Planning Center (CEPLAN) adopted by the Congress, was inspired by the fifth state policy of the National Agreement. The approval of the Economic and Social Commitment agreed on short-term issues such as: annual increase in public investment to reach 5% of gross domestic product; giving priority to requests from regional governments to eliminate tax exemptions; generalising one-stop windows for the creation of businesses; the mandatory sale of generic drugs; approval of a new public teaching career ; the promotion of literacy; the creation and implementation of a concerted strategic planning system, among others.
- Public support for the Peruvian government in the decision to submit to the International Court of Justice in The Hague the issue of maritime delimitation with Chile.
- The adoption of the Commitment for Better Quality Expenditure, which was incorporated into the Public Budget Act from 2006 and in the Law of Fiscal Balance. This led to the first strategic budget programmes: nutritional articulated programme; maternal and neonatal health; learning achievements at the end of cycle III; public access to identity; access to basic services and market opportunities.

Source: Government of Peru (2014), "Avances y perspectivas", http://acuerdonacional.pe/foro-del-acuerdo-nacional/avances-y-perspectivas.

By reaching a consensus among political and social leaders, the National Agreement aims to address policy continuity and institutional issues in the long term. It is a vivid example of multi-stakeholder consultation and participation in Peru.

Notes

1. http://acuerdonacional.pe/seccion/documentos/informes-anuales and http://acuerdonacional.pe/seccion/documentos/informes-de-seguimiento.

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