

Decentralisation in Peru's Agricultural Policy: A Critical Review from 1993 - 1998

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1 Introduction

Already in 1983 decentralisation was described as the "latest fashion in development administration" (Conyers 1983: 97) and it has been gaining in popularity ever since. This theoretical concept has been embraced worldwide and incorporated into economic and political reform plans. According to OECD/DAC (1997), 63 out of the current total of 75 developing countries are in the process of implementing decentralisation measures. This may also be due to some extent to the credit policy of the World Bank, which has made the disbursement of loans dependent on the decentralisation process in debtor countries (Ayes 1999). Similarly, the German Bundestag decided in 1995 that Germany's development work should promote administrative reform according to the principle of subsidiarity (Simon 1995).

In Peru, the principle of decentralisation has been tied into the constitution since 1979 (Thedieck and Untiveros 1993). However, so far there have only been timid attempts to implement this principle, at the end of the 1980s. In fact, since political power changed hands in 1990 and Fujimori took over the presidency, the government has followed a very centralist strategy. Nevertheless, decentralisation is still anchored amongst the political objectives of Peru's government and is used demonstratively for various reforms in the administrative structure (Planas 1998).

In this paper, the proclaimed desire for decentralisation in Peru's public administration is tested by reviewing the example of its agricultural policy and in particular its strategy with regard to public agricultural subsidies. The objectives of the paper are (1) to illustrate the discrepancies between the theoretical objectives of decentralisation and how it is implemented in practice; (2) to analyse the structure of Peru's agricultural support policies, evaluate the process of decentralisation in this sector and subsequently identify possible problem areas and make policy recommendations, and (3) using the regionally differentiated public expenditures for the agricultural sector in the period from 1993 to 1998, to cross-check the lip-service made to decentralising agricultural policy in Peru.

2 Theoretical background to decentralisation

The concept of decentralisation is based in principle on the theory of democracy and focuses on strengthening the participation, self-determination and responsibility of the population (Simon 1993). The most commonly used definition of the term 'decentralisation' in developed countries is "distribution of the power within a system with autonomous or partly autonomous sub-systems" (Illy 1986: 11). This definition is based on the so-called subsidiarity principle. It implies that government activity should be assigned to the lowest possible levels in the hierarchy and that it should only be assigned to a central unit if independent and efficient implementation of the tasks cannot be guaranteed by the subordinate groups (Rothschild 1993). While this definition is typical for states that have historically been organised along federal lines, e.g., Germany or the United States, it can only be used to a limited extent to analyse government structures in developing countries because, if this definition were applied, more or less significant deficits would soon become apparent and this would lead to a situation of deadlock. In politically authoritarian and centrally organised systems, power sharing can only be achieved by means of a long-term process. The various intermediate approaches to decentralisation that may be adopted during this period require closer analysis (Illy 1986). These can be divided into four main types (Rondinelli & Cheema 1983, Simon 1993:

- (1) *De-concentration*. Routine tasks are transferred to subordinate agencies of the central administration whereby the subordinate agency has some degree of discretionary power.
- (2) *Delegation*. Discretionary power for clearly defined projects is transferred to semi-autonomous agencies. Examples are agencies responsible for special projects such as the construction of a dam or state-owned enterprises in the telecommunications sector.
- (3) *Devolution (decentralisation in the stricter sense)* means the establishment of an autonomous regional administrative authority that is legitimised by the population but follows national policies in its decision-making. Devolution is in fact real decentralisation, as Parry (1997: 212) states:

"Devolution is the 'true' form of decentralisation in which sub-national levels of government are given complete authority for specific public services which were previously provided by the central government."

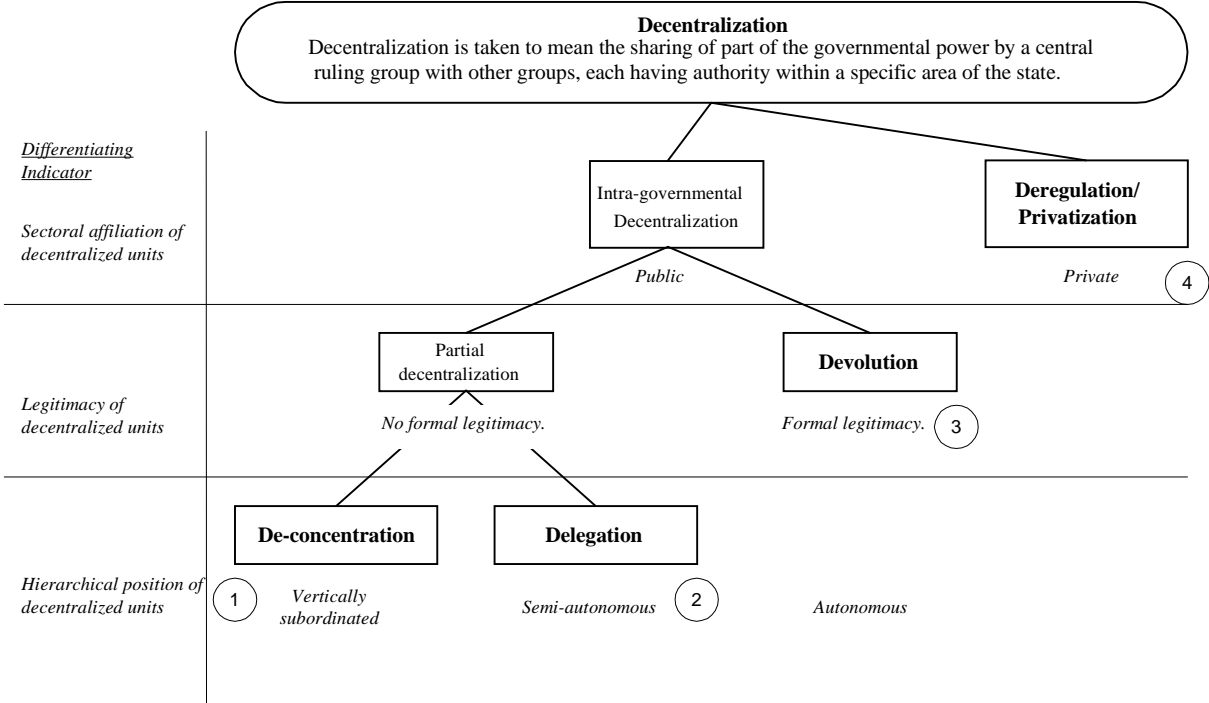
- (4) *Deregulation/“Privatisation”* means the transfer of public tasks to the private sector.

Figure 1 depicts the different types of decentralisation and illustrates the distinctive elements of each. Nevertheless, this paper does not exclusively follow the classical definition of decentralisation in the sense of devolution. De-concentration and delegation, the two other

intra-governmental forms of decentralisation, are also included in the discussion. This is because these forms of power transfer are part of the decentralisation process moving towards devolution and experience gained in one phase of decentralisation is crucial for the future design of decentralisation.

Privatisation is not considered to be a form of decentralisation here. Privatisation deals with the question of whether a good should be provided by a public or a private supplier. The central question in intra-governmental decentralisation is not *whether* but *how* a good is to be supplied by the state.

Figure 1 Systematisation of decentralisation



Source: Heuft (1999: 6)

2.1 Normative objectives

The argument most frequently used to justify a decentralised system of government is that it offers the individual citizen possibilities for greater participation and promotes a pluralistic decision-making process. Greater participation in this context can mean that the reduced distance between decentralised government agencies and the citizens enables the latter to articulate their interests more easily and increases the likelihood that their interests are taken into consideration in the decision-making process (Rüland 1993). Theoretically, this expansion of participation is possible in all types of decentralisation. Its implementation, however, depends on various factors. These include the power structure of the local elite,

political structures such as freedom of speech and the press and the decision-making power of the decentralised entities.

In the context of the form of decentralisation that is most difficult to install, namely devolution, participation implies legitimising the decentralised administrative units through decision processes that are secured by elections. This form of participation results in a true strengthening of democracy. The political opposition is able to become more integrated at the bottom level of the administration and prove its ability to govern. Another important cornerstone of democracy is the protection of human rights. Decentralisation can contribute to this by spatially distributing political power over an area (Rüland 1993).

The argument that decentralised government structures offer better protection for ethnic and other minorities is subject to debate. On the one hand, local administrative agencies can more easily incorporate factors aimed at accommodating the interests of minorities; on the other hand, however, ruling minorities can more easily suppress other minorities (Kälin 1999). Especially in developing countries where the population is ethnically very heterogeneous, this aspect has to be given due consideration when planning decentralisation processes.

2.2 Functional objectives

The major contribution of decentralisation in terms of function is seen in its capacity to supply public goods more effectively and efficiently. Three supporting arguments are presented relating to allocative and administrative efficiency and to the good governance that can result from decentralisation (Wiesner and López Murphy 1994).

(1) Allocative efficiency. Allocative efficiency relates to the degree to which local demand for public goods and services is met by the supply. Reducing supply gaps in terms of both quantity and quality increases allocative efficiency. Reducing poverty, particularly through satisfying basic needs, falls into the category of improving allocative efficiency. It is assumed that poverty alleviation can be more efficient if the local population and administrative units are part of the decision-making process (Heidhues et al. 1999; Nickson 1998). Simon (1993) states that improved self-help capacity and decentralisation in the sense of devolution are closely linked. This is due to better motivation of legitimate and autonomous local administrative units to achieve common local objectives. Moreover, decentralisation can contribute to better co-ordination between local government and non-governmental organisations (NGOs). While in the case of de-concentration local administrative units may show little willingness to co-ordinate their activities with NGOs, such co-ordination becomes

crucial as soon as decentralisation in the sense of devolution is achieved. As the administrative units carry regional responsibility and not just sector-specific responsibility as in the case of de-concentration, there is a necessity to succeed by co-ordinating efforts (Rondinelli and Cheema 1983)

(2) *Administrative efficiency*. The functional objective of administrative efficiency means that the provision of public goods and services will be maximised in terms of both quantity and quality within the given budget. Decentralisation can contribute to reducing the costs of supplying public goods and services in various ways:

- The provision of public goods within a centrally planned administration is fraught with principal-agent problems. These may possibly be reduced through decentralisation. Through decentralisation measures where fiscal autonomy as well as regional responsibility is transferred to the local administrative agency, efficiency losses due to moral hazard can be reduced (Blankart 1994; Haggard 1995). Moral hazard phenomena also occur in areas of the market in which the government intervenes and which are characterised by partial market failure, for instance in insurance and credit markets (Stiglitz 1999). If borrowers can assume that failure on their part to honour the credit contract will not be pursued by the government because the costs involved in doing so are higher than the individual debt, then the borrowers have little incentive to repay. If responsibility for collection of due credit is shifted to local agencies, losses may be reduced (Bardhan 1997).
- The argument that decentralisation improves accountability and thereby brings about a reduction in the costs associated with providing public goods and services is open to debate. Those in favour argue that local administrators (1) cannot be corrupted as easily as anonymous decision-makers far away, and (2) if elected, they can be sanctioned more easily than civil servants in the central planning offices (Kendall 1991). Critical voices, meanwhile, claim that the information asymmetry between public agencies (agent) and the population (principal) is significant, irrespective of the level of government. The latter is normally due to the population's lack of access to government documents (Kälin 1999). Which of these opinions is applicable in each individual case must be analysed.
- Decentralisation can reduce bureaucracy. This can contribute to reducing public administration costs and to ensuring more efficient co-ordination between intra-governmental agencies and the private sector (Manor 1995). This argument presupposes that sufficient decision-making power is transferred to the local agencies. In the case of de-concentration and delegation, the higher-ranking agencies often retain the decision-making power (Kälin 1999).
- Accountability for implementing public tasks may eventually lead to improved levels of qualification among local civil servants. This may also increase efficiency (Rüland 1993). These learning-by-doing effects are, however, dependent on the individual and cannot be generalised.

(3) *Good governance*. Governance is defined by the World Bank (1992: 3) as "...the manner in which power is exercised in the management of a country's economic and social resources for development". The World Bank divides good governance into four elements (Fuster 1998): (1) good management of the public sector, (2) accountability, (3) binding legal

framework, and (4) transparent public action. The Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) adds four more elements (OECD/DAC 1993): (5) reduction of military expenses, (6) introduction of participatory development strategies, (7) introduction of democratic structures, and (8) adherence to basic human rights. Decentralisation is considered crucial for achieving good governance (Basta 1999).

2.3 Implementation of decentralisation

Whether decentralisation is a cause or a result of economic development is the subject of much controversy. So far, no theoretical model exists that provides a satisfactory answer (Wiesner and López 1994). Nevertheless, the fact that most developing countries tend to be centrally governed leads to the question of whether a correlation exists between decentralisation and development. Martin and Lewis point out (1956: 231) that “the weakness of local government in relation to central government is one of the most striking phenomena of under-developed countries”. In an empirical study involving 58 countries in 1972, Oates (1993) had already found a significant negative correlation between fiscal centralisation and per capita income. In a study comprising 43 countries 15 years later (1987), he found that the 18 industrialised countries organised 65% of their public budget through a central agency while the figure for the 25 developing countries was 89%. Most theories of decentralisation consider it a cause of development due to its positive effects on the efficiency and effectiveness of resource allocation (Wiesner and López Murphy 1994) and due to the enormous fiscal potential of local governments (Nickson 1998).

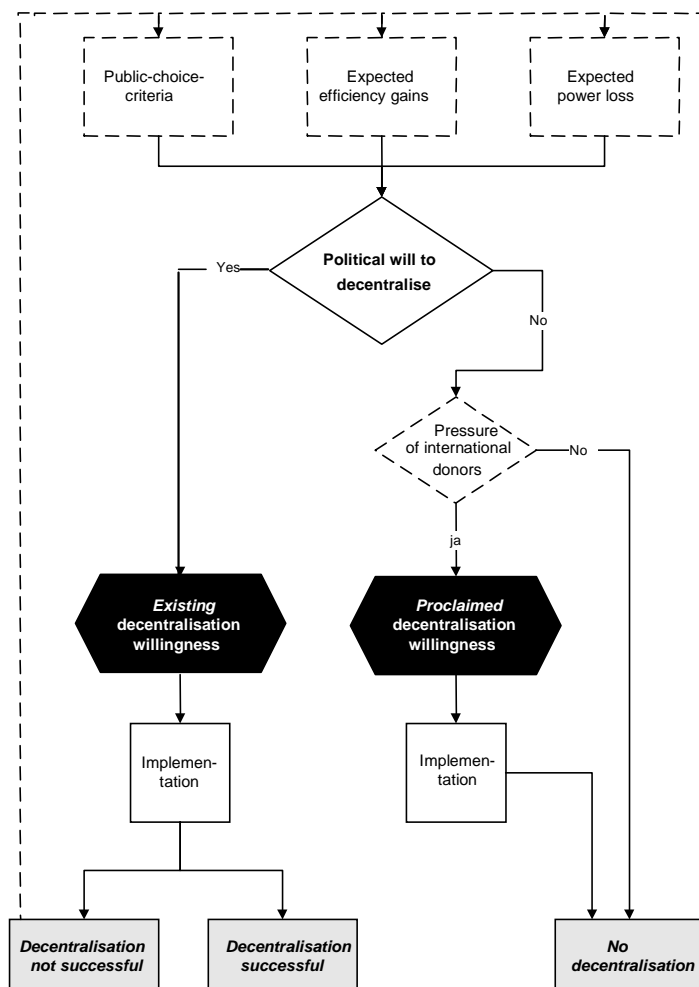
Government reforms such as decentralisation are never induced solely by economic reasons, however; political reasons are also involved (Rondinelli *et al.* 1989). Decentralisation is a political-economic process in which the decision-makers try to balance the loss of power with the necessity of transferring rights to the population (public-choice criteria) and the longer-term efficiency gains (Haggard 1995). In the case of developing and transition countries with high external debts, dependence on international donors frequently leads countries to set their structural adjustment programmes to reflect the donors’ wishes (Haldenwang 1995). Figure 2 depicts the decentralisation process in the form of a flow-chart. When looking at Figure 2, the following considerations must be borne in mind:

- The three endogenous criteria (expected power loss and efficiency benefits, public choice) that determine basic political will to decentralise cannot be considered as fixed quantities but are subject to individual valuation. Thus, changes in the power structure or structural environment can easily cause a change in the constellation of factors. Moreover, the way

each of the criteria is viewed may change during the course of the decentralisation process depending on the progress and success of the measures adopted.

- The actual implementation processes in the case of genuine and merely proclaimed willingness to decentralise are presented here as "black boxes". This is intended to illustrate how very different responses on the part of the state to different, or even the same, background conditions and administrative requirements can lead to a wide variety of constellations. In other words, the actual chain of reactions may not always be easy to comprehend. The possible categories of outcome for both options, however, are fixed from the outset.

Figure 2 Process of decentralisation – from building political will to implementation



Source: Heuft (1999)

Even assuming that the political decision-makers have the will to introduce a process of decentralisation, this does not mean to say that its success is guaranteed. Some of the potential areas of conflict are presented in brief below. It is not uncommon for various types of structural problems in an economy to overlap, and the possible economic and political solutions to these problems are by no means always complementary. Developing countries in

particular often find themselves facing a 'dilemma of simultaneity' with several reforms (Basta 1999). In order to decide which areas to decentralise, how and when, they have to weigh up very carefully whether in doing so they will jeopardise macroeconomic stability, a stability that may only just have been achieved with great effort through structural adjustment programmes, or which still needs to be pursued.

Another key element in the implementation of decentralisation measures is the question of finance. Without appropriate financial resources local entities can do little, even when full authority has been vested in them. It is not without reason that decentralisation has a certain negative image, since in times of crisis or of structural adjustment it gives governments a welcome pretext for farming out certain tasks and functions without, however, providing the newly responsible local authorities with the necessary resources. Decentralisation under these circumstances is nothing other than as a drastic cutback in state spending on social welfare provision (Hofmeister 1992). The question of where resources should come from is fiercely debated in the literature. Some authors insist that local units should have sovereignty with regard to their revenues from the outset and that, for reasons of autonomy and efficiency, they should finance their expenditures with money raised locally (see, e.g., Oates 1993). Others, meanwhile, point to the implementation difficulties associated with such a procedure. The latter, contrary to the first, suggest that funding should be secured via intra-state transfers, at least in the short to medium term. In the longer term the willingness of the population to pay local taxes might increase, especially if the authorities in question were seen to be putting these resources to good use (Manor 1995).

The decentralisation process can also be supported (or delayed) significantly by the prevailing legal system and the national election system. Thus, for example, the position of local authorities in countries using the 'common law' system (which is the legal system of the Commonwealth), is significantly stronger as a rule than in countries where the legal system is organised in a strictly hierarchical way, following the continental system, where the central government retains direct disciplinary control over subordinate levels. As regards the election system, the presence of a second chamber, for example, a legislative composed of representatives of local authorities, can strengthen the position of decentralised bodies and increase the legitimacy of actions on the part of the state (Basta 1999).

In any decentralisation process the public administration is both the subject of reform and the body implementing reform. Not least because of this double role, conditions within the administrative apparatus at the outset are often regarded as decisive for the success or failure of decentralisation efforts. Probably the most important element of these initial conditions

within the administrative apparatus are the civil servants, and their attitudes and behaviour. Resistance to reform efforts within the state bureaucracy is not uncommon. Such resistance is often due on the one hand to fear of losing power. The stronger the relationship of dependency between the administration and the political sphere (in other words the direct participation of the bureaucrats in the exercise of power by the political elite), the more likely it is that they will reject any attempt to change the distribution of power. State employees at the local level are a crucial factor in the implementation of decentralisation measures. Incentives need to be created to attract qualified personnel to work 'in the provinces'. The first important incentive would certainly be a salary structure that incorporated a correspondingly higher weighting. Second, training and further education for local staff must be organised both in preparation for decentralisation and in parallel to it. In an ideal-case scenario, training should take place before lines of authority are transferred to the decentralised bodies (Thedieck and Untiveros 1993).

If decentralisation is really to lead to appropriate interventions on the part of the state, greater responsibility (in the sense of 'accountability') and, as a consequence of both of these factors, more efficient state action overall, then a transparent flow of information is indispensable. This applies both to the relationship between the local authorities and the population, and also to the processes of vertical cooperation described above. Even before the question of who is to have access to what information, the primary problem is likely to be the general availability of data. As Winkler (1994: 11) very appositely remarks "public information [in developing countries]...is woefully lacking". Both access to information and systematic gathering of information can thus be important 'bottlenecks' in terms of implementing decentralisation. At the same time, they are possibly also good indicators of genuine political willingness to decentralise. Obviously, institutional reforms are complex processes and take a long time to implement.

For this reason it undoubtedly makes little sense to draw up detailed plans for reform or foist ready-made models of reform onto the administrative apparatus. Decentralisation should not be considered as something static, but rather as a process requiring constant monitoring and modification. For this, the participants must come to terms fundamentally with the fact that the process of reform is a slow and flexible one (Thedieck and Untiveros 1993).

Caution is also called for where efforts to reorganise the state administration are first and foremost cosmetic measures by the political regime currently in power. Decentralisation measures undertaken for motives like this hinder administrative and personal continuity and

lead to great uncertainty within the administration. Decentralisation can only be successful if it simultaneously involves ‘institution-building’ at the local level.

2.4 Evaluation of decentralisation

There can be no single, unified framework for evaluating decentralisation programmes in view of the great variety of concepts and theories underlying them. In accordance with Prud’homme’s (1995: 218) comment, “Decentralization refers to both a state and a process”, we should nevertheless distinguish between two fundamentally different approaches.

The first focuses mainly on the *state* of affairs arrived at as a result of the decentralisation measures, the degree to which goals have been achieved. For example, at the macro-level one can ask how decentralisation has contributed to achieving general political goals, such as fostering political stability or increasing support for national development programmes (Illy 1986). Another macro-economic approach would be to ask to what extent the role of the state in terms of distribution, stability and allocation has improved or worsened as a result of decentralisation measures (Winkler 1994). At the meso-level one can assess improvements in administrative effectiveness or increased efficiency of investments made by the State (Illy 1986).

The second approach focuses on decentralisation as a *process* and examines not only its end result (in other words the actual goals achieved) but on any steps in the right direction and on the background conditions that accompany and influence the process of decentralisation.

Some authors use quantitative criteria to evaluate decentralisation. For example, they look at local versus central government expenditures or compare transfers from the central administration to local bodies with the latter’s total revenues. Another indicator that is frequently used is the relationship between local and central taxation revenues. A further example included by Gonzales de Olarte (1996) is the proportion of the population benefiting from decentralisation.¹

The use of such quantitative indicators, however, suffers from two important weaknesses (Wiesner & López 1994): Lack of consistent and credible data is a major disruptive factor. Quantitative indicators are generally not very meaningful. They tell us nothing with regard to critical issues such as decision-making processes, supervisory bodies, efficiency of use, etc. It

¹ In the case of Peru, for example, he points out that the central government has more than 90% of tax revenues at its disposal; it spends 55% of this at the central level, while the remaining 45% is used in the regions, although the latter account for 75% of the total population of Peru.

is precisely aspects such as these, however, that are the crucial variables in a decentralisation process. Although quantitative indicators may be able to convey an initial impression of the degree of centralisation of the state administrative structures, they ignore the fact that decentralisation measures are part of a process and should they therefore only be used in conjunction with qualitative indicators to evaluate decentralisation.

Analysis of the decentralisation process can be subdivided roughly into three areas. Most important are: first, the external background conditions; second, internal factors, i.e., political will and conditions within the administrative apparatus, and third, the form and extent of the measures adopted and the degree of implementation achieved. Reform efforts, as a rule, arise out of specific, complex socio-economic and political conditions. These same conditions can also make them fail (Rondinelli and Cheema 1983).

The third aspect of evaluating any decentralisation process is its actual *implementation*, in other words the question of how, where, when and to what extent the appropriate provisions have been set out and implemented. For the purposes of analysis, we can distinguish three key attributes that are essential for administrative reform (classifications adapted on the basis of Simon 1993; Fuhr 1991):

(1) Tasks. This refers to the *distribution of authority for planning and implementing* state activities both in *territorial* and *functional* terms (e.g. shifting responsibility for special tasks), and any changes to it. An important dimension of this is the degree of autonomy acquired by the decentralised unit.

(2) Resources. This means the *availability of adequate financial resources and qualified personnel*, both territorially and in terms of function. Related to this is the question of whether the decentralised body has its own means of raising revenue, in other words how great is its dependency on centrally-allocated funding.

(3) Legitimation (in the broadest sense)/participation. This refers to the governance components of each decentralised unit, i.e. whether *decision-making processes are organised along authoritarian or democratic lines*. The concept may also be taken in its wider sense – as in common parlance – to include not only formal legitimation (elections) but also other forms of public participation.

3 Decentralisation in the Peruvian agricultural sector

The examination of regional expenditures on government support for agriculture in Peru is used as an indicator for decentralisation. By ‘agricultural support’ we mean activities on the part of state institutions aimed at influencing what happens in economic and social terms in the agricultural sector. This definition excludes state support measures aimed at the supplier and processing industries (definition based on Henrichsmeyer and Witzke 1991). The concept of ‘expenditure’ used in this study may be understood in the commercial sense of the sum of payments made plus liabilities minus accounts receivable. It encompasses both current expenditures, such as expenditures on staff, rent, etc., and expenditures on individual measures or investments. Regional expenditure in this case refers to expenditures at the departamento-level.

The period of the study was decided largely on pragmatic grounds. Since the data situation for the years from 1990 to 1992 was particularly poor, the original idea of analysing the whole of the period of Fujimori’s time in office had to be abandoned. In order to avoid distortions resulting from inflation-related phenomena and to provide a basis for comparison over several years with the data given in Peruvian currency (Nuevos Soles), the amounts were converted using the average US\$-exchange rate for each year. Such a procedure is permissible because a flexible exchange rate system was in place in Peru at the time, the balance of payments was still to a large extent dominated by the current account balance rather than the capital account balance (IMF 1998) and we can therefore assume, at least in the medium term, the validity of the purchasing power parity theory.²

If we look at the most important development indicators, then Peru must be classified as a developing country. The 1997 figure for annual per capita income was a low US\$ 2,460 (World Bank 1999). MIPRE (1998) puts the number of extremely poor in 1997 at 4.5 million, which corresponds to approximately one fifth of the population, and the World Bank (1997) confirms that in the period from 1981 to 1995 almost one half (49%) of all Peruvians had to get by on less than one US\$ per day. Characteristically, there is a high concentration of poverty in the rural areas, as is manifest for example in the fact that 70% of the extremely poor live in precisely these regions (MIPRE 1998).

² According to purchasing power parity theory the inflation difference between any two countries is reflected in the exchange rate because changes in the relative prices within the country and abroad of goods traded internationally – via movements of goods and corresponding movements of currency – cause the exchange rate to shift until the purchasing power of the domestic currency corresponds to the purchasing power of the foreign currency when converted using the exchange rate.

In spring 1990, when the independent candidate Alberto Fujimori was elected to the presidency after a surprise victory, Peru was in the midst of its worst crisis for several decades. Four-figure inflation, declining GDP and a per capita income that had fallen to its 1970 level (Fuhr & Hörmann 1992), violence and terrorism by the guerrilla movement 'Sendero Luminoso' and a state administration that was more or less incapable of action were only some of the symptoms that the population wanted to bring to an end by voting the government led by the APRA³ party out of office (Graham & Kane 1998).

In the August of the election year, just one month after taking up office, and following discussions with international funding organisations such as the World Bank and the International Monetary Fund (IMF), the new government launched a shock therapy-style structural adjustment programme. Although restrictive monetary and fiscal policy and a neo-liberal economic policy initially led to a deepening of the recession in the first two years, after this they soon achieved some notable successes in terms of macro-economic stabilisation (Graham & Kane 1998). By 1994, the inflation rate had fallen to 15.4% and in 1997 it was in single figures again for the first time (6.5%). GDP began to rise again from 1993; in 1994 it reached 13.1% and remained positive in the years that followed, namely 1995: 7.3%, 1996: 2.6%, 1997: 7.2% (INEI 1998). We can summarise by saying that there are good reasons for decentralising state administrative structures in Peru, but at the same time great difficulties, as a result of the macro-economic reform package of the 1990s.

3.1 Administrative framework

In the past ten years Peru has undergone a turbulent process of territorial reorganisation and restructuring. Based on the law on regionalisation ("Ley de base de la regionalización") passed in 1987, the introduction of regions was supposed to create a completely new system of organisation that would lay the foundations for a decentralisation process. The process of setting up eleven regions to replace the 25 departamentos that existed previously was finally concluded in 1990 with the regional government elections (Hatzius 1992). The new subdivision of the country into regions was controversial from the outset. The result was that there was no genuinely new reorganisation, only artificial constructions formed for the most part simply by merging and in some instances merely renaming the departamentos that already existed (Planas 1998). The confusion that is already becoming apparent here between

³ APRA stands for "Alianza Popular Revolucionaria Americana". The party was in power from 1985 – 1990 under President Alan García.

administrative and geographical (or generally geo-economic) structures of government is compounded by a second, functional dimension:

- **Organisation based on specialised ministries/sectors:** The relevant sectoral ministry is responsible for the management of institutions relating to the specialised ministries. These are generally public institutions with particular objectives that are often quite specific to a certain field. In the agricultural sector, one example of such institutions are the field offices of the Ministry of Agriculture (MINAG), the so called 'Organismos Públicos Descentralizados' (OPD).
- **Presidential-centralist structure:** Presidential institutions are directly under the jurisdiction of the President or the cabinet. In theory they are responsible for seeing to over-arching tasks that cut across sectoral lines; in reality however, they are often highly specialised in character. In recent years their role and their share of the government budget has increased steadily. Important examples of this that are particularly relevant to the agricultural sector are INADE (Instituto Nacional de Desarrollo at at Ministry of Development), the body responsible for the irrigation infrastructure, and FONCODES (Fondo Nacional de Compensación Social y Desarrollo: national fund for compensation of structural adjustment measures), the social compensation fund, but also the CTARs (Consejo Transitorio des Administración Regional: temporary regional administration agency).

In short, Peru's administrative structure is not subdivided according to uniform, consistent criteria either territorially or functionally. The consequence of this is a blurring of lines of authority, problems of delimitation and a lack transparency in decision-making mechanisms. The representative offices of MINAG in the departamentos are a good example of these problems. These are *responsible both officially and in terms of their specialisation to the Agriculture Minister*, and their activities at local level (e.g. credit programmes, conservation of resources, etc.) are financed out of various projects managed by the Ministry or the OPDs. Administratively, however, they come under the CTAR, in other words, their staff costs and current expenditures are part of the budget of the departamento administration, to which they are also accountable.

Based on article 79 of the 1979 Constitution, which explicitly sets out provisions for decentralised government, an intensive process of discussion began in Peru in the 1980s concerning the implementation of appropriate measures. One result of this was the passing of the 1987 law on regionalisation (Planas 1998). The slow process of implementation which then got underway came to a sorry end in 1990 with the election victory of Fujimori, or at the latest in April 1992 with the so-called 'autogolpe'⁴ and the dismissal of the regional governments that followed it. The whole of Fujimori's period in office (including after his re-election in 1995) is characterised by the fact that although there is a proclaimed willingness to

⁴ On 5 April, 1992, with the help of the armed forces, Fujimori suspended Parliament and the Constitution and announced a comprehensive reform of the justice system.

decentralise, all other actions on the part of the government are clearly aimed in precisely the opposite direction. Statutes laid down in the constitution are being deliberately ignored, as is shown by the fact that there have been no elections for regional or departamento governments to date, although the constitutional referendum passed in 1993 provided that these should take place by 1995 at the latest (Planas 1996).

An important indicator of the “marked centralising tendency of the current Peruvian President [Fujimori]” (Graham & Kane 1998: 71) is the setting up of the so-called Ministry of the Presidency (MIPRE). Not only do the regional administrative bodies (CTARs) come under the authority of MIPRE; some of the biggest national institutions such as FONCODES and INADE, for example, have also been incorporated into it. In the draft government budget of 1988, 22% of the total government budget was estimated for the MIPRE. Planas (1998), meanwhile, emphasises that real expenditures are generally greatly in excess of the planned amounts because in the course of the year additional resources are approved by presidential decree in the form of so-called emergency decrees (*decretos de urgencia*); moreover, MIPRE is also in charge of administering the approximately 500 million US\$ received annually from the FONAVI Fund⁵ (Planas 1998). In the light of the – largely undisguised – lack of political will to decentralise described above, it is unlikely that we will encounter serious efforts to implement it in the state administration concerned with providing support for agriculture.

3.2 Agricultural sector budgeting 1993 – 1998

The following section is devoted to a description of state support for agriculture. When examining the principal players and the expenditures made by them, we looked first and foremost at the *characteristics* that are important in terms of *analysing possible signs of decentralisation* or increasing our general understanding of the issues.

3.2.1 The participants

When we speak of the participants in the sphere of state agricultural support we are referring to state institutions whose aim is actively to implement agricultural policy, i.e., whose actions are aimed directly at influencing or regulating developments in the national agricultural sector (definition taken from Grosskopf & Thiele 1997). Of the five institutions or types of institution listed that can take on responsibility for projects and activities at regional level, the

first two are part of the agriculture ministry/sectoral administrative structures, while the other three are directly under the authority of the President or the MIPRE. The Ministry of Agriculture is one of 15 specialised ministries. Its share of the central government budget in the period from 1993 to 1998 is in the region of between 1.2% and 2.8%, reaching the lower end of this scale in 1996 and the highest in 1997.

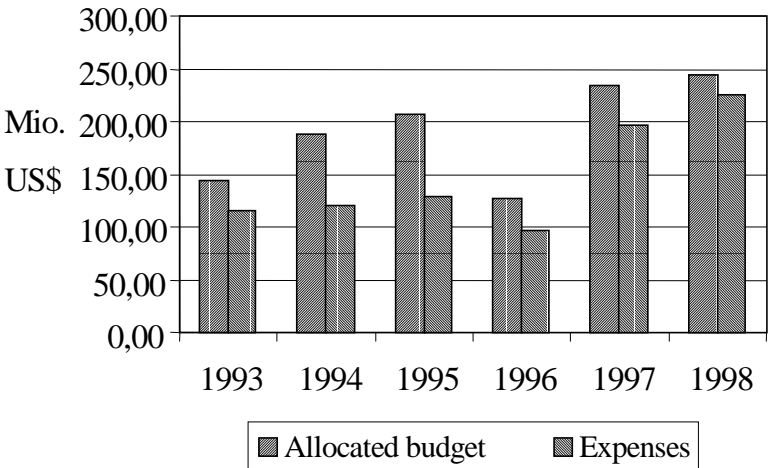
Figure 3 shows on the one hand the highly variable annual allocation of financial resources and, on the other, greatly improved utilisation of the allocated budget in recent years. The numerous reforms of government budget management and structuring seem to be delivering some initial successes here. In connection with this it should be noted that the drastic increase in resources allocated to this sector in 1997 and 1998 is not an indication of a shift in policy priorities on the part of the government, but was due to the climatic phenomenon of 'El Niño', which led MINAG to undertake or introduce numerous preventative and reconstruction measures. MINAG is first and foremost supposed to set out agricultural and environmental policy guidelines, create or adjust the necessary legal framework and check that it is adhered to, and to foster and support private investment in the agricultural sector. Explicit emphasis is placed on developing an information system for private businesses (e.g. price information) and ensuring a national mechanism for co-ordination of agricultural research and technology transfer.

Figure 4 shows that in 1998, for example, 81% of MINAG's budget was used to finance action-based projects. The budget is presented in Table 1. It should be noted, however, that the heading 'other' also includes smaller projects and some personnel costs (including some from project-related departments) and therefore the share of expenditure for the real functions of MINAG, in other words the normative component relating to shaping agricultural policy, dwindles further still.

There are two points that should be emphasised regarding the organisational and functional structure of the MINAG. First there is a yawning gulf between the predominantly normative role of MINAG as described in the legislation and its actual sphere of activity, which is more action-based.

⁵ This is a so-called "earmarked fund". In terms of budget procedure this is a special construction, i.e. a fund fed as a rule from a special tax or levy; although parliamentary approval is required at the outset to set it up, its budget does not require to be passed or checked by parliament from then on (Castillo 1997).

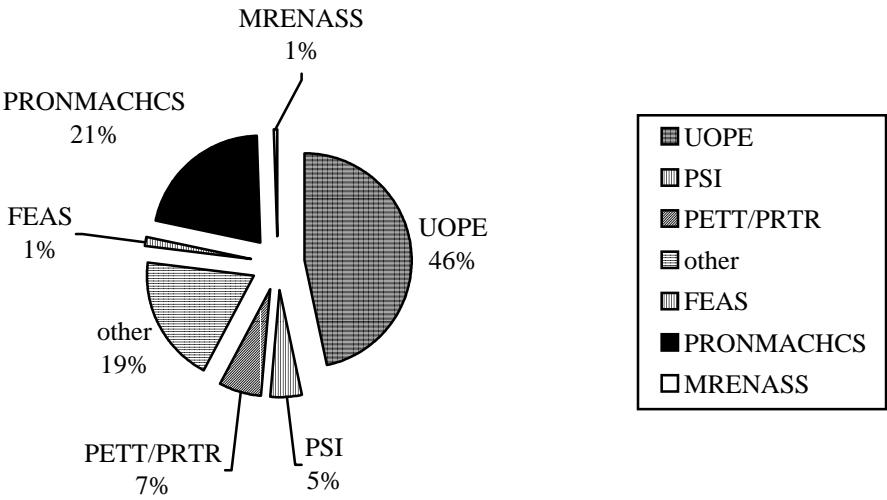
Figure 3 Budget allocation of MINAG and expenses from 1993-1998, in million US\$



Source: Heuft (1999: 45)

Notes: Conversion in US\$ with the average annual exchange rate provided by the Peruvian central bank.

Figure 4 Distribution of budget to projects and units of MINAG 1998, in percent



Source: Heuft (1999: 46)

Notes: For the amounts, see Table 1. Conversion in US\$ with the average annual exchange rate provided by the Peruvian central bank.

Table 1 Distribution of budget to projects and units of MINAG 1998, in million US\$

Units	in US\$
PETT/PRTR	14,590
PSI	10,833
UOPE	104,910
MARENASS	1,420
FEAS	2,865
PRONAMACHCS	47,723
Other	43,276

Source: Heuft (1999: 46)

Notes: The following describes the tasks of the different units

PETT/PRTR	National body for registration of land
PSI	Irrigation systems, particularly close to coast
UOPE	Operational unit for special projects
MARENASS	Protection of natural resources in the southern Sierra
FEAS	Promotion of technology transfer to farmers of the Sierra region
PROAMACHCS	Extension project for mountainous farmers with emphasis on protection of natural resources

Second, the MINAG suffers from having complex decision-making structures and relationships of dependency. This can be seen in the way projects are organised, as described above, but the reasons for it are more general. On the one hand, particularly during the period that concerns us, there was a great deal of internal reorganisation and restructuring which either created extra layers of hierarchy or removed some for individual projects. On the other hand the amount of scope permitted depends partly on personal relationships and it therefore varies with personnel changes. In view of the fact that changes in the post of Agriculture Minister⁶ have not exactly been infrequent, there is little likelihood of continuity for the time being.

The four OPDs (translated as: ‘Public Decentralised Bodies’) are sub-organisations of the MINAG that have been hived off in terms of function, but are still subordinate in the hierarchy to the agricultural minister. The tasks assigned to it cover vital areas of agricultural policy:

- Agricultural research and technology transfer (INIA),
- Environmental protection and conservation of resources (INRENA),
- Animal and plant hygiene (SENASA) and
- Promotion of alpaca farming, important for the Andean highlands of Peru (CONACS).

The decision-making structures of MINAG become even more confusing if we look at the field offices of the OPDs. Depending on the scale of the expenditures and tasks managed by them in the region, these can either be functionally separate units within the DR (Dirección Regional: regional directorate), or they can have their own organisational structure that is also physically separate. Inter-institutional coordination meetings with the regional manager are provided for under the law and do in fact take place. However, only the OPDs are called together and not PRONAMACHCS, although its special status means that its de-concentrated units are comparable to those of the OPDs and as a rule they have considerably larger budgets at regional level than any of the OPDs. Not infrequently, there are considerable coordination problems as a result. Financially speaking, the de-concentrated units of MINAG and the OPDs are almost totally dependent on funds transferred from Lima or transfers from the CTARs (for the administrative costs of the DR), since their own internally-generated revenues (e.g. from agricultural machinery hire) are negligible in scale.

In order to ascertain which of the three forms of decentralisation relevant here occur in the state agricultural sector, one can examine the decentralised units first of all in terms of the distinctive characteristics. Devolution can be ruled out from the start as non-existent, since none of the decentralised units fulfil the selection criterion of formal legitimisation. The other two possible forms – de-concentration and delegation – are analysed in the following two sections, and we will attempt to characterise them on the basis of three features: tasks, resources at their disposal and legitimisation (in the broader sense) or participation. *Territorial de-concentration*, in the form of devolving routine tasks to subordinate local bodies, may be observed in all the institutions examined. In Peru there is a need for field offices purely because of the size of the country, which makes it impossible to manage and implement a programme of agricultural support exclusively from Lima. In the case of the CTARs, with their semi-autonomous position, at least as prescribed by law, we can speak of *territorial delegation*.

3.2.2 Agricultural administration and the President

INADE, the only one of the three presidential institutions under examination to be involved exclusively in agricultural support, has organised its field offices to correspond with project organisation. The 24 regional offices are responsible for implementing individual projects but

⁶ In the period of data collection for this paper between 01/99 and 05/99 alone, the agriculture minister was replaced twice.

generally have very little discretionary freedom. This is mainly because infrastructure measures of the sort carried out by INADE leave little room for flexibility once construction work has begun. Decisions relating to where and how much should be invested in the individual projects are taken at the central level, in Lima. In addition, the INADE offices have virtually no possibilities of generating income of their own⁷, but are financed via transfers of funds from the centre.

There are two obvious problem areas here. First, unless the decentralised unit has decision-making and financial autonomy, ‘moral hazard’ problems resulting from the intra-institutional principal-agent relationship cannot be ruled out. The consequence of this is probably a considerable loss of efficiency, especially in the case of investments of this type and scale. Second, the participation aspect is completely neglected. The population is not involved in the project work and helped to prepare to take over the running of smaller and medium-sized irrigation systems themselves by means of parallel extension services, nor is there any co-ordination with other players involved in agricultural support activities. Integration into a development strategy specifically tailored to suit the region is thus not happening, and this in turn casts doubt on the sustainability of the measures.

We have already indicated that the direct influence of the Peruvian President on FONCODES projects and the use of the latter for political purposes are an important characteristic of FONCODES as an institution. Its headquarters in Lima decides not only the total amount to be allocated to the regions but also the percentage share to be allocated to the different types of project (e.g. health, education, agriculture). The regional office can then choose among the various projects (those that fit the prescribed criteria) at local level. Besides this, its principal task is to check project applications with regard to feasibility and – once approved – to ensure that they are properly implemented. One advantage of territorial de-concentration in the case of FONCODES is better access to the target group. Up until only a few years ago, project applications had to be presented in Lima, which was in itself an obstacle that was very difficult to overcome for many potential applicants. Now applications are passed on via the regional offices, which can also – if necessary – offer active assistance in formulating or planning the project.

The regional administrative units – now once again departamento administrative units – the CTARs, are semi-autonomous decentralised bodies according to the text of the law. Although

⁷ Theoretically they have a right to 10% of the water charges levied from user groups. On the one hand this would be a relatively negligible sum and, on the other, the user groups have not carried out this task in recent years and thus have not raised any income from it (Franco 1999).

they can plan their activities autonomously and draw up their budget plans themselves, they come under the control of MIPRE, and are ultimately bound by its directives.

Two aspects of the CTARs should be emphasised here in connection with the decentralisation process. First, it is precisely expenditures in the agricultural sphere that show how strong the political influence from the centre actually is. In the period from 1993 to 1998, for example, 80% of the total budget was used for the nationally implemented, centrally conceived credit programme, FONDEAGRO (Fondo para el Desarrollo del Agro: state credit programme) and its successor programme, PIMA. The poor loan repayment record of these programmes may be interpreted as a symptom of typical “moral hazard” behaviour. Two levels can be distinguished, however: on the one hand it is possible that local CTAR staff failed to identify strongly with a programme that came ‘from above’ and the resulting lack of a sense of responsibility may have led to inadequate selection and monitoring of borrowers. On the other hand, the way in which this programme was conceived as ‘assistance’ and the fact that, moreover, the funding parties were ‘anonymous’ (the CTAR is only the intermediary), meant that the borrowers did not feel a strong obligation to repay and viewed the loans as a kind of state subsidy.

3.2.3 The Ministry of Agriculture

The geographically de-concentrated units of MINAG are further subdivided hierarchically within themselves. The physical distribution of the so-called regional directorates (“Direcciones regionales” – DR) to a large extent corresponds to the division into departamentos. The “Agencias Agrarias” (AA) that belong to them, and their field offices (“Sedes Agrarias”) were set up principally on the basis of natural geographical criteria (PRES/MINAG 1992).

None of the MINAG institutions visited had any longer-term planning or other provisions in place for setting out strategic objectives at the local level. Work plans are drawn up every year on the basis of specifications sent from Lima or adapted on an ad hoc basis, if an order to that effect is received from the centre. To summarise, there are two important points relating to distribution of tasks and functions among the de-concentrated units that should be emphasised:

- As a rule, local units have minimal planning and decision-making powers and are principally executive bodies of the centre.

- The poor co-ordination of various MINAG and OPD projects by local entities reflects the unsystematic structure of the whole of the administrative system based on specialised ministries. This effect is reinforced by the fact that the de-concentrated units have to get to grips with the decisions that are made centrally and relatively little room is left for agreements between institutions at regional level.

3.2.4 Functional delegation of agricultural administration

To conclude, we shall examine in more detail the form taken by *functional* decentralisation, using the OPDs as an example. The areas of responsibility of the four OPDs that have been hived off from MINAG cover vital areas of government support for agriculture, namely agricultural research and technology transfer, environmental protection and conservation of resources, and animal and plant hygiene. The semi-autonomous status accorded to them under the law theoretically gives them considerable discretionary powers. However, mechanisms have also been built into the law that give the agriculture minister quite extensive powers to intervene in the internal workings of the institution. Examples of this include the right to nominate directors (Congress of the Republic 1992), but also a right of veto in the principal committees of the institutions (PRES/MINAG 1995). The extent to which these mechanisms are used varies in the different OPDs, but overall they are certainly used frequently, with the result that the institutional independence of the OPDs may be described as severely restricted.

The continuing prevalence of markedly centralist tendencies can also be seen clearly when one looks at the distribution of resources among the different institutions on the basis of their annual expenditures (Table 2). Although the four OPDs cover vital areas of state support for agriculture, on average they account for a mere 12% of the agriculture ministry budget, equivalent to an annual figure of around 125 million US\$.

Table 2 Expenditures of OPDs and MINAG compared, 1993 – 1998

in 1,000 US\$		Year					Sum	
		1993	1994	1995	1996	1997		1998
OPD	• CONACS	91	228	639	1,027	816	1,236	4,037
	• INIA	14,308	11,603	8,822	8,502	7,518	9,034	59,788
	• INRENA	2,634	2,931	4,725	4,668	4,726	7,697	27,382
	• SENSEA	512	2,279	5,471	5,508	6,355	13,384	33,509
OPD Total		17,545	17,041	19,658	19,705	19,415	31,351	124,716
MINAG		114,750	119,916	128,807	96,093	196,166	225,616	881,347
Total of OPD & MINAG		132,295	136,957	148,465	115,798	215,581	256,967	1,006,063

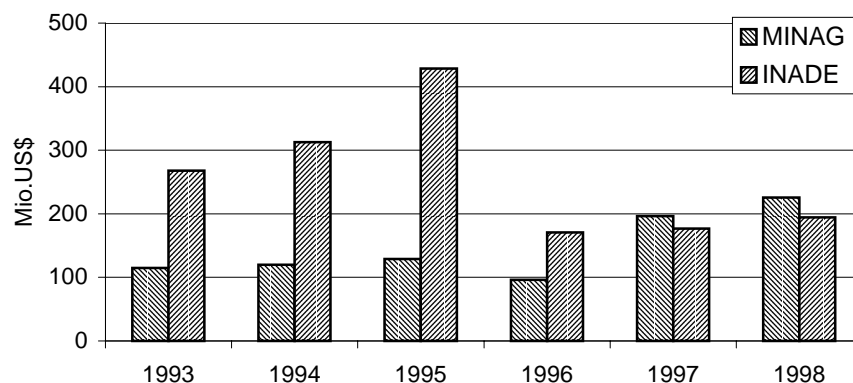
in percent		Year					Percent of total	
		1993	1994	1995	1996	1997		1998
OPD	• CONACS	0.07	0.17	0.43	0.89	0.38	0.48	0.40
	• INIA	10.82	8.47	5.94	7.34	3.49	3.52	5.94
	• INRENA	1.99	2.14	3.18	4.03	2.19	3.00	2.72
	• SENSEA	0.39	1.66	3.69	4.76	2.95	5.21	3.33
OPD Total		13.26	12.44	13.24	17.02	9.01	12.20	12.40
MINAG		86.74	87.56	86.76	82.98	90.99	87.80	87.60
Total of OPD & MINAG		100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Heuft (1999: 73) and own calculations.

3.2.5 INADE

INADE (Instituto Nacional de Desarrollo) was founded in 1983 and its original objective was to co-ordinate rehabilitation and reconstruction measures in the wake of the ‘El-Niño’ phenomenon. Later on it was given responsibility for planning and implementing measures relating to the irrigation infrastructure and hydroelectric projects (Castillo 1997).

Figure 5 Comparative expenditures of MINAG and INADE from 1993 – 1998, in Mio. US\$



Source: Heuft (1999: 52) and own calculations.

For a long time INADE had by far the largest budget of all the state agricultural support institutions. Although its budget was reduced by nearly two-thirds in 1996 – mainly due to cuts in international sources of finance – the amount it had at its disposal for 20 irrigation projects and four smaller rehabilitation and technology transfer programmes in 1997 and 1998 was almost the same as the annual total for MINAG.

3.2.6 FONCODES

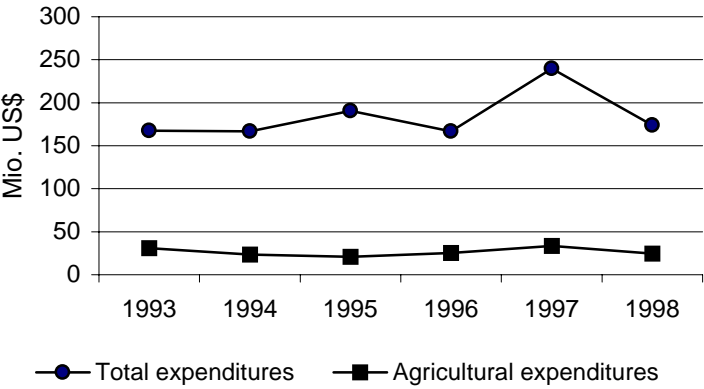
FONCODES (Fondo Nacional de Compensación Social y Desarrollo), an institution created in 1991 to provide a social cushion for structural adjustment measures, has been accorded high political priority since at least mid-1992, not least due to pressure from international donor organisations (Graham and Kane 1998). One indication of this is the fact that its annual budget, while varying between 180 million and 250 million US\$, has remained consistently large since 1993.

In contrast to the other institutions described so far, FONCODES' scope of action is not limited to the agricultural sector. The percentage share of its budget invested in agriculture each year was only between 12 and 18% of the total budget (Figure 6). The agricultural projects financed by it may be divided into four categories. In the period under examination the largest share, 68% of all its internal agricultural investments, went to small irrigation infrastructure projects, followed by so-called 'proyectos productivos', with 23%, which include a wide variety of support measures (e.g. rotation funds in co-operation with NGOs, small livestock farming projects, etc). The two other project types – soil protection measures and reforestation programmes – never had great weight and have gradually diminished in importance over the past years (FONCODES 1999a).

FONCODES also differs from the other bodies involved in agricultural support in that it operates on the basis of a demand-led approach, providing funding for projects rather than implementing them itself. Theoretically, therefore, the institution merely responds to applications from what are termed "núcleos ejecutores". These are project groups, mostly at municipality level that get together in order to finance a project and who are responsible for the lawful implementation of the project. Projects are selected and prioritised after an initial review of their technical and economic feasibility using a computer-assisted decision-making system that checks criteria which are given a different weighting for different types of project. For agricultural projects prioritisation criteria include, inter alia, the amount of investment per

hectare, the poverty level of the project group, the number of beneficiaries and also whether FONCODES has already financed other projects (FONCODES 1999b).

Figure 6 Total expenditure and agricultural expenditure by FONCODES 1993 – 1998, in Mio. US\$



Source: Heuft (1999: 53) and own calculations

Two features of this institutional strategy are worth noting. First, the scope for centrally managed, politically-motivated setting of priorities is apparently still very great, despite the system of selection described above. Graham and Kane (1998), in their examination of the connection between elections and state expenditure behaviour, confirm that there is clear evidence of selective financing of FONCODES projects in Departamentos that failed to produce a majority for Fujimori in the 1993 referendum. The resignation of FONCODES Director, Arturo Woodman, in 1994 due to conflicts with MIPRE relating to political manipulation of projects, speaks for itself (Roberts 1995).

Second, it is questionable whether the system based on applications is truly *demand*-led, especially if the focus of the institution is on the poorest sections of the population. These people in particular often have neither the ability nor the experience required to write such an application. Neither do they have access to the necessary information (Graham and Kane 1998).

Overall, the picture that emerges is one of FONCODES as a distinctly centralist institution in orientation, and although it has a network of regional offices, the scope of the regional offices' authority is generally limited to that of middleman between applicants and the

institution, without any significant decision-making powers of their own. In normal circumstances, co-ordination with other state institutions is not considered necessary.

3.3 Spending on the domestic agricultural sector

Between 1993 and 1997 average annual public expenditure on agricultural support was 448 million US\$. This corresponds to around 13.5% of agricultural GDP. Although this ratio appears substantial at first sight, it falls into perspective when one excludes INADE from the picture. The latter's inordinately high expenditures on infrastructure, invested in areas that are geographically relatively limited, distort the picture considerably. The other institutions and their measures then account for less than half of the amount mentioned above, i.e. 177 million US\$, equivalent to 5.3% of agricultural GDP (Table 3).

Table 3 Total expenditure on state agricultural support compared to agricultural GDP, 1993 – 1997

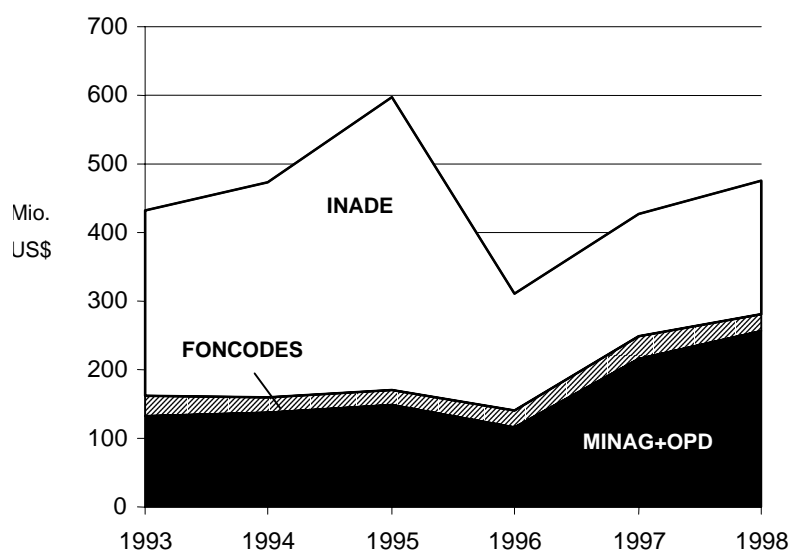
	1993	1994	1995	1996	1997	Average
Agricultural GDP in US\$ mns	2,641	3,210	3,539	3,812	3,762	na
State agricultural support						
- Total expenditure in US\$ mns	431	473	598	312	426	448
- Share of agricultural GDP in %	16.3	14.7	16.9	8.2	11.3	13.5
State agricultural support (excl. INADE)						
- Total expenditure in US\$ mns	163	160	169	141	249	177
- Share of agricultural GDP in %	6.2	5.0	4.8	3.7	6.6	5.3

Source: Heuft (1999: 57) and own calculations.

Note: na = Agricultural GDP not available for 1998.

The dynamics of agricultural expenditure since 1993 can be divided into two phases. Up until 1996, state support for agriculture remained at a fairly constant level, while from 1995 it declined slightly (Figure 7). The short-term rise in investments through INADE in this period, followed by an abrupt fall, are largely due to changes in the policy of international lenders, who halted their standby arrangements from 1995 and pressed for the rapid conclusion of projects (Castillo 1997).

Figure 7 Expenditures on agricultural support for each institution 1993 – 1998, in Mio. US\$



Source: Heuft (1999: 58) and own calculations.

The second period, from 1996, is characterised on the one hand by a marked increase in expenditures on the part of MINAG and its OPDs, and on the other by a noticeable adjustment in spending by INADE, which in 1997 and 1998 fell below the budget of the sector ministry institutions for the first time, with 39 million US\$ and 62 million US\$ respectively. This development may be attributed to two main factors: first, MINAG’s ‘spending boom’ due to the ‘El Niño’ phenomenon already mentioned; and second, political efforts to bring INADE projects with a duration of 15 years or more to a rapid conclusion (Castillo 1997).

Figure 7 also shows FONCODES, the second, but likewise ‘presidential’ institution next to INADE. Its share in total agricultural spending looks relatively small in comparison. All the more noteworthy, then, is the fact that FONCODES – although it is not primarily an institution for agricultural support – in five out of six years had an agricultural budget that exceeded the total budget of all four OPDs put together, sometimes by quite a long way. This could be seen as an indication of the political status enjoyed by the so-called “decentralised” units of the MINAG.

4 Conclusion

We have demonstrated the discrepancy between the theory and practice of decentralisation using the example of state promotion of agriculture in Peru and examined some of its causes.

Our most important findings will be summarised here. In order to do so, we will look once again in particular at the problem areas we have identified in the agricultural administration and make some initial recommendations with regard to strategies for reform efforts, especially in terms of decentralisation.

There is an imperative *need for a decentralisation strategy* both in general and specifically in the field of agricultural promotion in Peru for two basic reasons:

- (1) The country cannot be governed exclusively from the centre because of its size and its geographical and cultural heterogeneity. Some form of regional, decentralised units are a must if national order is to be maintained and the government wants to retain some degree of legitimacy. Both of these can only be achieved in a lasting way by having a local presence, i.e. physical proximity to the population and adaptation of national policies to suit local circumstances. This is especially true of state agricultural support, where the very different ecological conditions require very different strategies and different regional priorities.
- (2) The concentration of social and economic life in the capital that has already happened is leading to increasing marginalisation of rural areas. This set-up of centre versus periphery, which is exceedingly problematic for the process of national development as a whole, is being further reinforced by the government through its distinctly centralist policies. Decentralised structures could counteract this and, by ensuring a more balanced and efficient distribution of publicly-funded support, alleviate the market distortions caused by the government to date. In this way it might be possible to make use of any comparative advantage that may be present at regional level, and develop parallel 'centres'. Here too, the role of agricultural support is crucial, since in the marginalised rural areas in particular agriculture is still one of the most important, if not the most important source of income.

In terms of the institutions involved in the field of state agricultural support we have identified to the following forms of decentralisation:

- *Territorial de-concentration*

Transfer of routine tasks to subordinate local agencies can be observed in all the institutions examined. The degree of discretionary power granted to the decentralised units in terms of decision-making and scope for action varies from one institution to the next but can be described overall as minimal.

- *Territorial delegation*

Only in the case of the CTARs, the administrative bodies of the departamentos, can one speak of a local decentralised unit with semi-autonomous status. Within the CTARs, in the sub-sector of agricultural promotion, however, we observed that here, too, much of the decision-making continues to be steered from the centre.

- *Functional delegation*

Delegation of specialised tasks to semi-autonomous units can be seen in the example of the four OPDs (Organismos Públicos Descentralizados). Under the law, these institutions, which have been assigned responsibility for the fields of agricultural research and technology transfer, environmental protection and conservation of resources, plant and animal hygiene and promotion of alpaca farming, enjoy relatively independent status among the public agencies for agricultural support. In reality, however, intervention on the part of the agriculture ministry, to which these OPDs are formally accountable, is considerable.

It emerges even from this short description of decentralisation forms that implementation of genuine decentralisation in the sense of shifting powers of decision-making and action to lower levels can really only be described as deficient. This is due first and foremost to a *lack of political will*. Even though the Peruvian constitution provided for a decentralised form of government as far back as 1979, the present government lacks the will to implement this provision. An authoritarian and centralistic style of leadership is hindering any redistribution of power in all areas of government and thus also in the sphere of agricultural promotion.

Although political will is a necessary precondition for the successful implementation of any decentralisation process, it is not enough on its own. For this reason, in view of the fact that political willingness to undertake reforms might change at some point in the future, we took the second step of examining the other factors necessary in terms of state agricultural support. In the course of our analysis of the conditions that would have to be fulfilled in order to achieve the improvements in the efficiency and effectiveness of government-led support that are theoretically to be expected from decentralisation, we identified inter alia the following problem areas.

The administrative structure in state agricultural promotion is very confused for a number of reasons. First, there are a vast number of institutions and projects, often with very different discretionary powers in terms of both policy and finances. Second, with the agriculture ministry and the presidential agencies we have two hierarchical structures operating

independently of each other in one and the same area of state support. Third, for some of the institutions the criteria on which the territorial distribution of field offices is based are inconsistent, which means that local co-ordination processes – where they take place at all – are made even more difficult.

The resulting confusion with regard to areas of authority, problems of delimitation and lack of transparency in decision-making present additional obstacles to inter-institutional co-ordination in a situation that in any case does not function very well.

Finally, unsystematic use of data and information by almost all the institutions was a striking characteristic. This presents problems for the success of decentralisation for two reasons. On the one hand, without the appropriate data, planning, evaluation and in some cases also management of the process can only be partial. On the other, meanwhile, one of the most important objectives of decentralisation is prevented from coming to fruition: greater “accountability” within the bureaucratic apparatus can only be achieved if a permanent, transparent flow of information is guaranteed both within the state administration and vis-à-vis the public.

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