



A regular series of notes highlighting recent lessons emerging from the operational and analytical program of the World Bank's Latin America and Caribbean Region



## PERU: TOWARDS A SYSTEM OF SOCIAL ACCOUNTABILITY

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When Fujimori's government fell in September 2000, Peru's socio-political climate was ripe for change. After a break in democracy in the 1990s, serious corruption scandals, and a recession in 1997, inequality and poverty sharply increased and crippled the country's productive capacity. Paniagua was elected by national consensus to lead the transition government for nine months. The election was seen as transparent and fair, creating a positive atmosphere for collective action by civil society organizations (CSOs) and political parties. Instead of a 'top-down' approach, the new government integrated dialogue and negotiation to achieve consensus and respect for the institutional and democratic framework, giving priority to transparency and participation. A programmatic social reform loan (PSRL) from the World Bank supported the initiative.

### Three National Processes

The transition government initiated three important national processes: (i) multi-stakeholder roundtables or mesas de concertación to support the Fight against Poverty, (ii) formulation of national development goals, and (iii) decentralization.

First of all, the Mesas de Concertación para la Lucha Contra la Pobreza (MCLCP), created in January 2001, provide a forum for dialogue and negotiation for government ministries and civil society representatives to design social policies and programs<sup>1</sup>. Initial MCLCP discussions defined general guidelines on social policy and its relationship with

economic policy, later called the Carta Social. From these dialogues emerged Concerted Development Plans, and a more proactive role of CSOs in budget monitoring of some social programs and implementation of local development plans..

Secondly, the mesas helped elaborate national development goals in early 2002, which were then formalized in the National Agreement. Seven national parties, the church, industry, business sector and labor unions committed to the agreement, which identified and then institutionalized regional priorities. The National Agreement has formulated 30 state policies in four key areas: (i) institutionalization of democracy, (ii) social equity and the fight against poverty, (iii) competitiveness, and (iv) anti-corruption. Monitoring benchmarks are being developed.

Finally, the decentralization reform incorporated regional administrations as a new level of authority in the State structure, helping institutionalize the need to identify regional priorities, and bringing government closer to citizens. Functions and responsibilities in education and health services and other social areas and regional investments are being transferred gradually from the national to sub-national levels.

The decentralization program, according to the Law of the Foundations for Decentralization (#27783), mandates the use of participatory budgeting and concerted planning mechanisms at the local and regional levels. These instruments are intended to facilitate the development of inclusive government agreements, make the fight against

poverty more effective, and consolidate the democratic decentralization reform. The first stage of the decentralization process (2001) was to develop preliminary versions of the strategic development plans. This process was ratified and consolidated in 2002 with a first-time experience—each region in Peru discussed its priorities for 100 percent of the available resources for public investment for that region<sup>2</sup>. Finally, this process was linked to the regional plans through the participatory development of the 2003 National Budget.

One outcome of this process was the formulation of concerted plans and participatory budgets in 22 of the 24 regions within the projected investment ceilings for 2003. 40 percent of the regions completed participatory budgets with support from all of the public regional administrations, all mayors, and the principal CSOs. These budgets were included in the 2003 National Budget. Plans to further sustain and consolidate the process include: (i) training local and regional authorities to formulate concerted plans and participatory budgets, (ii) constructing a legal framework to establish a stable institutional environment and (iii) updating plans and participatory budgets for the 2004 National Budget.

### Promoting Transparency and Participation

Peru's commitment to decentralization and anti-corruption created ripe conditions for incorporating transparency and participation as key components of a programmatic social reform loan from the World Bank, to be designed through

consensus-building with government officials, civil society leaders, and the Bank team.

Table 1 details participatory management and monitoring tools and specific actions taken to enhance the quality and access to information and promote social accountability on numerous fronts under this loan. To date, these actions have been supported by three PSRL credits as well as grant money from the World Bank and Japanese donors.

### Towards a System of Social Accountability

The actions that Peru already has taken lay the foundation for a future system of social accountability. The most important factors for the sustainability of a social accountability cycle lie in the context and capacity of civil society to exercise social agency<sup>4</sup>. This means that an enabling regulatory and policy environment must be created, and capacity strengthened to ensure that civil society organizations can hold public institutions accountable to their citizenry. The most important contextual elements can be summarized in the acronym ARVIN which stands for the regulatory and policy frameworks that affect the ability of citizens to Associate, mobilize Resources, have Voice, access Information, and Negotiate with decision makers.

Most of the phases of civic engagement described in Figure 1 are not yet linked, but have the potential of forming a virtuous circle of information, action and mutual feedback

**Table 1. Components of Participatory Management and Monitoring(3)**

Initiative	Objective	Actions
Participatory Development Planning	Identify needs and priorities through participatory process that serves as the basis for budgetary decision-making.	The Mesas de Concertación produced Concerted Development Plans.
Participatory Budget Formulation (PBF)	Determine budget allocations as efficiently and transparently as possible by ensuring that budget decisions reflect consensus-determined priorities and removing information barriers between state and society.	Budget allocations based on Concerted Development Plans.
Open Budget Information	Ease access and use of public information to enhance budget analysis by citizens and public officials alike, to enhance public knowledge and accountability.	The Financial Integrated Monitoring System was modified to supply budget information for national, regional, and local levels. This "friendly window" was made internet accessible to CSOs and local governments. Independent budget analysis initiated by a CSO/think tank.
Ensure Reliable Information	Improve quality and credibility of information systems by using autonomous and credible sources of information with external oversight.	National Statistics and Information Institute (INEI), was regulated to ensure its independence and information reliability. A presidential decree was approved and enacted to standardize and centralize information produced and used by government ministries through the Geographic Information System (GIS).
User-Feedback on Services	Solicit opinions and feedback on efficiency and effectiveness of services and monitor transfers from central to local governments.	Report cards were used to supervise protected programs for a set time. (See text box-Participatory Management Monitoring Tool)SIVISO, a pilot monitoring and accountability program, supervised by the Ombudsman - government of Peru - CSOs, was constructed.
Measure Improvements in Transparency and Openness	Evaluate progress in levels of transparency and openness in policy processes.	A transparency module was included in the IV National Household Survey (ENAH0) to establish a baseline.

## Participatory Performance Monitoring Tool: Report Cards

*What are Citizen Report Cards?* A participatory survey that solicits client feedback on the performance of public services, combining qualitative and quantitative methods to collect useful demand-side data that can help improve public services. They are also an instrument to exact social and public accountability, through accompanying media coverage and civil society advocacy.

*When are they used?* Citizen Report Cards are used where demand-side data, such as user perceptions on quality and satisfaction with public services, are absent. They enable citizens to signal key reform areas to public agencies and politicians, and also to create competition among state-owned monopolies. Some actual applications include: (i) basis for performance based budget allocations to pro-poor services (Philippines), (ii) cross-state comparisons on access, use, reliability and satisfaction with public services (India), (iii) supplement national service delivery surveys (Uganda), and (iv) governance reform projects (Ukraine and Sri Lanka).

*What do they reveal?* Citizen Report Cards provide feedback from users of services on: (a) availability of services, (b) satisfaction with services, (c) reliability/quality of services and the indicators to measure these, (d) responsiveness of service providers, (e) hidden costs - corruption and support systems, (f) willingness to pay, and (g) quality of life.

Source: Singh, Janmejaya "Matrix Summarizing Citizen Report Cards and Community Scorecards".

to produce more effective public management. For example, the Ministry of Finance's efforts to build a reliable public expenditure management information system, decentralize, and Congress's approval of legal frameworks enacting participatory budget processes help to institutionalize civil society's access to information, negotiation and voice around the public policy cycle. Using grants from the World Bank and other donors, CSOs have taken on capacity building activities to provide analytical insights, skills and tools to the Mesas to understand the public budget and to

engage in participatory planning and budgeting processes in an informed and constructive manner.

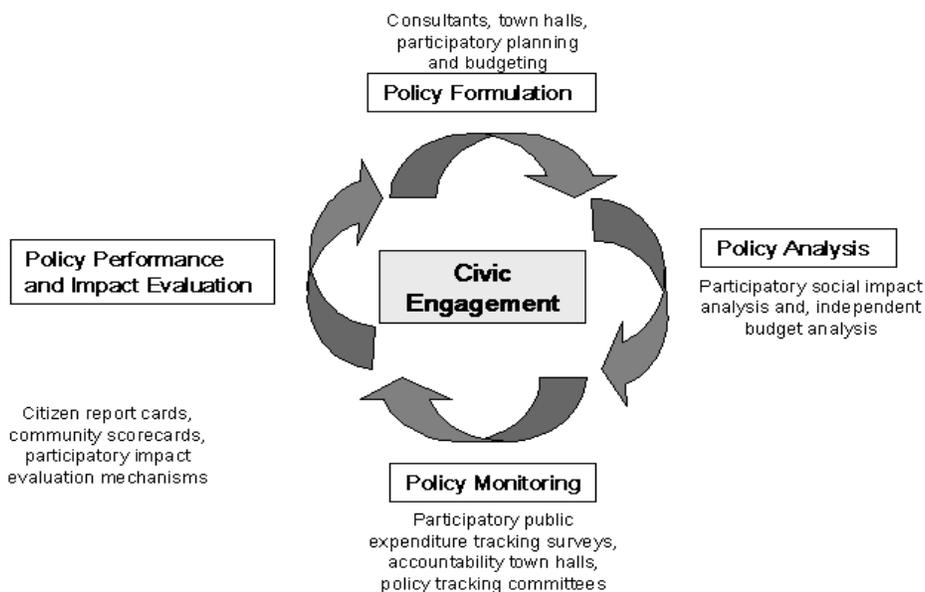
### Lessons Learned

Some difficulties have been encountered in implementing the programmatic loan in Peru. These include: (i) the poor quality of information; (ii) the high learning curve of capacity building efforts in the context of a rapidly moving decentralization process; and (iii) the presence of a weak performance-based public management culture to emphasize the importance "customer" satisfaction.

Some initial lessons learned in Peru may be helpful for other countries and projects:

- Ensure inclusiveness and sufficient capacity by involving a variety of civil society organizations.
- Include citizen rights and entitlements in information systems. Citizens can only demand better services if they know their rights.
- Institutionalize processes to facilitate civic engagement. The results of increased transparency and par-

**Figure 1 - Civic Engagement in the Policy Cycle**



ticipation will only show if mechanisms are continuously enforced and sustained.

- Sequence actions and develop synergies of civic engagement for optimal effectiveness.
- Strengthen and expand the links between horizontal and vertical accountability . Civic engagement in vertical accountability improves public expenditure targeting of poverty reduction strategies and enhances the quality of services delivered<sup>5</sup>.
- Develop a results-based reward/penalty system of public management to promote improved performance quality.

Some lessons apply specifically to the World Bank:

- Dissemination of World Bank analytical work can lead to important political dialogues. In the case of Peru, a more open approach to the 1997 poverty assessment served as a stepping stone for an inclusive, in-country dialogue towards a powerful national process.
- As the Bank is keen to play an objective role as an external development organization, this case shows that the World Bank can serve as a facilitator, bringing different actors together around common objectives in a productive manner. Over time, the Bank was able to engage other actors in a leadership role and to secure the role of the government and other local actors in championing a series of national dialogues.
- The process needs time; analytical work and concrete actions should precede lending.
- Programmatic loans can support national reform processes, and it is possible to design prior actions in the political matrix to strengthen and accompany these processes. The prior actions pursued under the PSRL in Peru suggest that, contrary to critical opinion, policy-based reform can play a role in a pro-poor governance agenda in the region.
- The design of conditionality and prior actions can be done openly, without needing to disseminate confidential documents. While the team preparing the PRSL was keen to share as much information as possible, the Bank was never asked to or considered sharing confidential information. It would seem, then, that as long as teams are transparent and inclusive during the preparatory process, less attention is given to the sharing of formal, legal documents that the Bank and its clients may not be prepared to disclose.
- It is important to mobilize resources outside national budgets to build the capacity of civil society and the poor to enable their participation in public policies. The Bank as an organization, however, is not always well-prepared to engage in capacity building of civil society organizations around fast disbursing policy-based loans. The issue of capacity building of counterparts – especially those that have seldom been engaged at the macro level- should thus be considered by task teams at the outset and sufficient resources secured.

## The Future

Peru's social accountability model is at an early stage, but results are promising. Participatory mechanisms around the budget and policy cycle offer tools to strengthen the correlation between citizen priorities and public decision-making, better target poverty reduction strategies, and ensure that resources are used transparently. Challenges remain, including the need to strengthen the coordination between civil society and political parties to guarantee the sustainability of participatory management tools and to reduce divisions between them, as well as to evaluate the impact of participation and social accountability in terms of concrete results and development effectiveness.

## Notes

<sup>1</sup> Half of the MCLCP Executive Committee members (51 percent) represent the national, regional or local governments; the rest represent a wide range of CSOs: non-governmental organizations (NGOs), community-based organizations (CBOs), labor unions, the private sector and religious groups. To date there are 1,024 *‘mesas’* across the country.

<sup>2</sup> Investment ceilings were distributed across regions according to the severity of poverty.

<sup>3</sup> Some participatory tools revolve around the budget cycle, or participatory public expenditure management cycle (PPEM), which has four stages: (i) Participatory Budget Formulation, (ii) Participatory Budget Analysis, (iii) Participatory Budget Expenditure Tracking, and (iv) Participatory Performance Monitoring. See Social Development Note 81, “Making Services Work for the Poor”, <http://www.worldbank.org/participation/sdn/sdn81.pdf>

<sup>4</sup> W. Reuben, paper at ISS 50 th Anniversary Conference: “Globalization, Poverty and Conflict”, The Hague, October 2002.

<sup>5</sup> Ibid.

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