

Peru's decentralization stalled by protests and distrust

Voters support devolution but not amalgamation



Food kitchen volunteers from an outlying province demonstrate in Lima for more funding, in April 2008. Regions outside Lima have been campaigning for more powers and public finances.

BY MARTÍN TANAKA AND SOFÍA VERA

MANY PERUVIANS WANT DECENTRALIZATION FOR ONE reason: to counterbalance the overwhelming influence of Lima, the country's capital.

But the path to decentralization is a rocky one, and the end is nowhere in sight.

Lima's 8.5 million inhabitants make up 26 per cent of the country's total population. The city produces 46 per cent of the country's goods and services. People outside the capital want more power to be devolved to its 25 regions – and

want some of the public and private investment that now is going to Lima.

The 28-year decentralization movement has advanced in fits and starts. The movement began when the right to hold local elections was restored in 1980.

Then in 1988 the creation of regions began with the election of regional authorities that were meant to replace the 24 administrative units called departments. The regional governments

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were then dissolved but were brought back in 2002, when Peru was divided into 25 “regions”, replacing the old “departments.”

A constitutional reform allowed for regional elections in 2002. But the goal of merging the 25 regions into fewer, larger regions has not yet succeeded.

One of the regions leading the push for decentralization today is Lambayeque, where Yehude Simon was re-elected governor in 2006.

Simon is one of the successful leaders of the decentralization movement in Peru. One of the main projects of his government is completing the final phases of the Proyecto Olmos reservoir for farmers, which stores and distributes 2,050 million cubic meters of water each year.

In April, after a meeting with 23 regional governors and Peruvian President Alan Garcia, Simon said that the decentralization of Peru was proceeding satisfactorily, despite its many challenges.

“The state has acknowledged that some things aren’t working ... this encounter should put an end to the criticism from those who wish the failure of decentralization.”

Movement is fragmented

The decentralization process is a reflection of Peru’s political fragmentation. When new regional and local elections were held in November 2006, 18 of the country’s 25 regions elected governments from regional political parties. In only seven of the regions did candidates affiliated with national political parties form governments.

An important setback for decentralization occurred in October 2005, when Peruvians voted in a referendum to turn down the amalgamation of many smaller regions into a few larger ones. This step was seen as necessary in order to give more power to the regions. However, people in the regions feared that amalgamation would mean a weakening of their autonomy and lead to consolidation of the power of the bigger cities.

The process of decentralization has nearly a 30-year history in Peru. It started just after the 1979 Constitution was adopted. The ’79 Constitution, adopted by a popularly elected assembly, stated that the country should establish regions with elected authorities. In the Constitution, the regions and local municipalities were described as governments with administrative and economic autonomy from the central government.

Mayors elected

When the military government finally ended in 1980, the mayors for all local assemblies in the country’s provinces and districts were directly elected by popular ballot.



Peru’s former president Alberto Fujimori testifies during his trial in Lima on Feb. 20, 2008. Fujimori shut down regional governments while in power.

That same year, 1980, a terrorist group called “Shining Path” started a campaign of attacks which they called “revolutionary war.” Their incursions inflicted severe harm to the decentralization process by striking at the roots of the Peruvian government and assassinating mayors in several rural districts. Shining Path started its activities in one of the poorest regions in Peru, Ayacucho, and spread over almost the entire country.

The destabilization caused by the Shining Path helped stall the decentralization process until 1988, when a number of regions were formed and governors elected.

But devolution ground to a halt under President Alberto Fujimori, who became president in 1990. In 1992 he led a *coup d’état*, shutting down the national Congress and putting an end to regional governments.

Fujimori maintained a strongly centralist outlook in the relationship between the central government and the regions. Use of government resources, meanwhile, was concentrated in the hands of the President and his staff.

Meanwhile, in the countryside, the Shining Path began losing the support of the peasants, leading to the capture in 1992 of its leader and the collapse of the uprising.

The once-popular Fujimori became embroiled in a corruption scandal, and he fled the country in 2000. His departure laid the groundwork for a revival of democratic principles



in general, as well as a rebirth of the decentralization initiatives. A new common cause took shape, which considered decentralization not only good for achieving balanced development, but also a potential bulwark against arbitrary and abusive centralization of power.

With the election of Alejandro Toledo as president in 2001, decentralization was taken up once again. One of the new government's first measures was to call elections to constitute regional governments.

As there were no territorial boundaries for the regions, temporary borders were drawn up, based on the 25 existing units.

The results of the 2002 regional elections favoured the principal opposition party, the populist APRA party, which won a plurality of the vote in 12 regional assemblies – nearly half of the total.

Initiative failed

In addition to needing a better definition of their tasks and responsibilities, the new assemblies also needed a roadmap for merging into larger regions.

The creation of a smaller number of larger regions out of the 25 existing ones would have meant more funds and staff in the respective regions and a greater potential for economic development. Another gain would have been the potential for the building of a stronger regional identity in fewer regions. However, the initiative failed as it ran into a brick wall of resistance from the central government.

The merger proposals were voted upon in popular referendums in 16 regions. The regions and provinces feared being gobbled up into the larger regions. The result was that every referendum to create five new larger regions from the 16 smaller ones was defeated in October 2005.

Decentralization in today's Peru, which began with a chaotic regionalization process, has thus far failed to establish a coherent and orderly institutional framework for delivery of government services to its citizens. Many of the regional movements are not well rooted. Some also suffer from poor management. Nevertheless, some regional movements do show potential and their efforts could lead to success.

Some regions believe that gaining the power to collect their own taxes is the next logical step on the road to greater decentralization.

Governor Yehude Simon of Lambayeque is of that view: "The transfer to the regions of functions along with funds is indispensable for moving ahead with the decentralization process, and what would be a better way to achieve that than by allowing the regions to directly collect taxes themselves?"

But to truly succeed, the elected officials and the civil servants in these regions need to acquire the ability to promote and sell development programs that will create jobs and sustainable development. The regions and the national government also need to restart the regional merger process and embark on reforms for enhanced intergovernmental relations among national, regional and municipal orders of government. Peru must address these challenges or face more conflict and social protest, both of which it has suffered enough from in recent years. 

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them produced *de facto* decentralization and a vibrant democracy at grassroots level.

Here at last was a counterbalance to the national government. Yet no constitutional or major legal changes were introduced to promote decentralization. In essence, new policies were adopted within the highly centralized structure.

Soon the local activism lost the wind from its sails. The national economic boom and resulting widespread prosperity from the late 1970s enabled the central government to rein in the pressure for reform and, importantly, to retain its tight fist on local administrations.

Economy stagnates

Then came the 1990s when Japan's economy began to stagnate, an era that injected a fresh enthusiasm for reviving decentralization. And, while some advances were made in the 1990s, many tasks remained.

This issue became part of Prime Minister Junichiro Koizumi's (2001-2006) broader agenda of reform and restructuring and continued under the Shinzo Abe administration (2006-2007). Prime Minister Yasuo Fukuda, who came into power in 2007, has endorsed his predecessors' initiatives.

Consequently, a new Decentralization Reform Promotion Act was legislated in 2006 and the government set up a Decentralization Reform Promotion Committee in April 2007 to consider issues related to further devolution of power and functions.

Rethinking Japan

As part of the devolution process, the ruling LDP, especially since the Koizumi administration, has promoted the *doshusei* idea. The opposition political party and its leader Ichiro Ozawa also lent support. Although he advocated a somewhat different structure in his renowned 1994 book *Blueprint for a New Japan: The Rethinking of a Nation*, Ozawa then considered decentralization a core issue and recommended 'transfer of substantial national authority and finances to local governments'.

In a 2007 survey conducted by Japan's leading economics daily, the *Nihon Keizai Shinbun* on the desirability of a "state system", 23 of 47 governors strongly supported the idea. Only four opposed it.

The main opposition comes from the central bureaucracy that sees its power eroded significantly. The new structure will provide few opportunities for central bureaucrats to control localities through their field offices or to transfer central personnel to key local administrative positions.

Nonetheless, the current situation of "30 percent autonomy," where local governments raise roughly thirty percent of their financial needs through local taxes, while depending for the rest on the centre, is going to change. Already the central government has agreed to transfer a greater proportion of income tax to localities. Maintaining a sound balance of power between national and regional interests will be critical. But how this balance will be achieved remains unclear.

Moves toward decentralization now have a new momentum. Still, it is unlikely that profound reform will be introduced anytime soon. Japan's road to decentralisation still has many winding turns, but these days many more travellers too. 