INTRODUCTION: This annotation to the PowerPoint presentation is meant to provide a more detailed explanation of each of the slides and where applicable a short note explaining the intent/purpose and the thought processes behind the composition of the individual slide. The annotation is organized into three components: 1) a copy of the actual slide used in the presentation 2) brief explanation on the information and data that appears on each slide and 3) an annex with further information not included in the PowerPoint presentation, but which nonetheless may be useful for the presenter for further elucidation of the presentation and as useful information for more in-depth discussion with the Peruvian officials. The annex appears at the last part of the annotated presentation.

SLIDE 1: TITLE

State Capacity Building for Economic Growth, Poverty Reduction and Social Equity:
The Case of Perú

United Nations Department of Economic and Social Affairs
Division for Public Administration and Development Management
(www.unpan.org)

Mr. Guido Bertucci
Director of DPADM
August 9th, 2006
Lima, Perú

SLIDE 2: PRESENTATION OUTLINE

Government Reforms for Poverty Reduction

Presentation Outline

I. Perú’s Profile
   a. Economic Profile: Current Status and Challenges
   b. Poverty Profile: Current Status and Challenges
   c. Development Management Profile: Current Institutional Arrangements and Challenges
   d. E-Governance Profile: Current Status and Challenges
   e. Corruption and Public Accountability Profile: Current Status and Challenges

II. Perú’s Strengths

III. Harvesting the Future: Vision for Moving Forward for Poverty Reduction and Social Equity

IV. Suggested State Capacity Building Framework for Pro-poor Development

V. State Capacity Building Initiatives: DESA’s Suggestions
SLIDE 3: ECONOMIC PROFILE

Economic Profile:
Current Status and Challenges

Current Status

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP</td>
<td>4.8</td>
<td>6.7</td>
</tr>
<tr>
<td>Real imports of goods and services</td>
<td>18.4</td>
<td>18.9</td>
</tr>
<tr>
<td>Real exports of goods and services</td>
<td>14.7</td>
<td>14.2</td>
</tr>
</tbody>
</table>


Challenges

- 2.1% average annual growth rate of GDP per capita compared to 2.5% for the middle income group.
- 49% Debt/GDP ratio compared to an estimate 44% for the region, and 36% for non-OECD countries.
- 2005 official unemployment rate is 7.6%. Further, female employment activity (non-agriculture work) stands at 59% compared to 80% for males.


Under the heading current status: Table on the top left hand corner of the slide illustrates three measures of economic well-being with data collected from the Economist Intelligence Unit for 2004 and 2005. The annual growth rate (in percent) for real GDP, real imports of goods and services, and real exports of goods and services are all shown here, in an effort to provide a ‘at a glance,’ profile of Peru’s current economic status and overall economic growth trends.

The diamond diagram also aims to demonstrate Peru’s economic status in comparison to countries with similar levels of economic development, that is, countries in the lower middle-income group category (as identified by the World Bank). The diagram shows that Peru’s economic status as measured by domestic savings, level of trade, capital formation, and level of indebtedness is below that of the lower-middle income group average. Thus, Peru is more in debt than average and has lesser domestic savings, capital formation and trade.

Under the heading challenges: While certain economic indicators, such as annual change in real GDP, show promising economic prospects for Peru, it nonetheless does not compare well with other countries, in its income group. With an average annual growth rate of GDP per capita at 2.1% compared to 2.5% for the middle income group, Peru’s seemingly impressive real GDP growth rate may not be enough to keep it in pace with the other countries, as more and more the region grows, and Peru remains at a lower than average growth rate. Peru’s consistent challenge in the past few years has been reducing its public debt, with a 49% debt/GDP ratio, a high ratio even compared to the region (LA is considered to be one of the most indebted regions in the world), and higher even compared to a larger group of non-OECD countries. Peru’s debt problem is of particular concern because it suggests greater complications for Peru when it comes to increasing public expenditure for programs to address poverty.

Peru’s unemployment rate of 7.6% is also relatively high and although difficult to measure, Peru also has a large informal sector and high underemployment. This compounded with high youth unemployment and gender inequality (with only 59% of women employed in non-agriculture sector) suggests that addressing labor market concerns and creating jobs are also important for overall economic development in Peru.
The table above adopted from the 2005 Human Development Report presents key human development indicators for Peru relative to middle income countries and the Latin America and Caribbean region. This slide aims to provide a brief glimpse at Peru’s human development and poverty status in order to evaluate what challenges lie ahead for future economic and social development.

Peru has shown significant progress relative to the two comparison groups with respect to school enrollment, specifically in Combined Gross Enrollment Ratio for Primary, Secondary and Tertiary School for 2002-03. Peru’s Adult Literacy (above 15 years) of 87.7% is high although slightly lower than the regional average of 89.6%. Furthermore, other human development indicators such as the Infant Mortality (in which Peru does much better with 26 per 1000 births compared to 27 for the region and 29 for the middle income group) and Life Expectancy at about the same as compared to the regional average of 71.9 and 70.3 for middle-income group.

Over all, Peru ranks 79 out of 179 countries reviewed by the Human Development Index for 2005, thus classifying it as a Medium Human Development country. Historically, Peru has also demonstrated a positive trend in the performance of its HDI from 1975 to 2003.
# Poverty Profile: Current Status and Challenges

<table>
<thead>
<tr>
<th>Area of Residence</th>
<th>Poverty Headcount 2004</th>
<th>Gini Coefficient 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td>32.9</td>
<td>.39</td>
</tr>
<tr>
<td>Urban Costa</td>
<td>37.1</td>
<td>.34</td>
</tr>
<tr>
<td>Metropolitan Lima</td>
<td>36.6</td>
<td>.40</td>
</tr>
<tr>
<td>Rural Costa</td>
<td>35.3</td>
<td>.32</td>
</tr>
<tr>
<td>Sierra</td>
<td>47.7</td>
<td>.39</td>
</tr>
<tr>
<td>Selva</td>
<td>40.5</td>
<td>.36</td>
</tr>
</tbody>
</table>

- **Population Distribution**
  - 26% of population resides in urban areas, while 74% resides in rural areas.

- **Poverty levels are significantly higher in rural than urban areas.**
- **Regional differences in poverty rates are attributed to variations in household access to public services and limited infrastructure (i.e. roads, etc.).**
- **Larger percentage of the poor are indigenous with 68.3% compared to 42.0% for non-indigenous.**
- **Higher inequality rates in urban areas, particularly in Lima with a Gini coefficient of .40.**
- **Lower fiscal expenditures for public services particularly for public health programs relative to other Latin American countries.**

**Under the heading current status:**

- Poverty levels are significantly higher in rural than urban areas: Sierra posted the highest poverty rates in 2004 with 67.7%, followed by Selva with 59.5% and Rural Costa at 53.5%.
- Various reports have indicated that the regional differences in poverty rates can be explained by the variation in household access to public services and road infrastructure rather than to geographical differences.
- Larger percentage of the poor are indigenous with 68.3% compared to 42.0% for non-indigenous, based on 2003 data from HDI 2005 report.
- Higher inequality rates in urban areas, particularly in Lima with a Gini coefficient of .40.
- Lower allocations of GDP for public services particularly in health expenditures relative to other Latin American countries – HDR 2005 indicates that Peru spent 2.2% of its Gross Domestic Product (GDP) for public health expenditures. Other countries in the region that allocated higher spending for public health expenditures as a share of its GDP include: Colombia (6.7%), Argentina (4.5%), Brazil (3.6%), Uruguay (2.9%), Chile (2.6%) and Venezuela (2.3%). [Note: This is an important comparison figure that signals the need and priority for Peru to re-examine its budgeting allocation for public health expenditures.]

**Source:** ENAHO, 2005; HDI, 2005.
**Under the heading current status:** This chart demonstrates the most recent World Bank Governance Indicators (2004) for Peru. The World Bank (WB) governance indicators are a composite index that measures important aspects of governance from a host of different survey instruments (it is based on polls and surveys conducted among experts and citizens). The WB has classified these Governance Indicators into 6 dimensions consisting of: a) Voice and Accountability b) Political Stability and Absence of Violence c) Government Effectiveness d) Regulatory Quality e) Rule of Law and f) Control of Corruption. The specific aspects measured by the World Bank Governance Indicators are elaborated below.

***Rankings:*** The above chart depicts the percentile rank on each governance indicator. Higher values imply better governance ratings. Percentile rank indicates the percentage of countries worldwide that rated below the selected country (subject to margin of error). For instance, a percentile ranking of 75 for Peru implies that an estimated 75% of the countries rate worse and an estimated 25% of the countries rate better than Peru.

a) **Voice and Accountability** includes in it a number of indicators measuring various aspects of the political process, civil liberties, political and human rights, measuring the extent to which citizens of a country are able to participate in the selection of governments.

b) **Political Stability and Absence of Violence** combines several indicators which measure perceptions of the likelihood that the government in power will be destabilized or overthrown by possibly unconstitutional and/or violent means, including domestic violence and terrorism.

c) **Government Effectiveness** combines responses on the quality of public service provision, the quality of the bureaucracy, the competence of civil servants, the independence of the civil service from political pressures, and the credibility of the government's commitment to policies.

d) **Regulatory Quality** focuses more on the policies, including measures of the incidence of market-unfriendly policies such as price controls or inadequate bank supervision, as well as perceptions of the burdens imposed by excessive regulation in areas such as foreign trade and business development.

e) **Rule of Law** includes several indicators which measures the extent to which agents have confidence in and abide by the rules of society. These include perceptions of the incidence of crime, the effectiveness and predictability of the judiciary, and the enforceability of contracts.

f) **Control of Corruption** is a measure of the extent of corruption, conventionally defined as the exercise of public power for private gain.
The 2004 WB Governance Indicators demonstrate that Peru achieved the following rankings:

- 45 (percentile rank) in Voice and Accountability (political and human rights, citizens’ participation)
- 27 (percentile rank) in Political Stability
- 32 (percentile rank) in Government effectiveness (quality of public services delivery)
- 57 (percentile rank) in Regulatory Quality (policies supporting private sector development)
- 32 (percentile rank) in Rule of Law
- 45 (percentile rank) in Control of Corruption

Data suggests that among the six governance indicators, Peru achieved better rankings in policies supporting private sector development (Regulatory Quality), supporting political and human rights, citizen participation (Voice and accountability) and in controlling corruption. In fact, a comparison with the rankings of lower middle income countries and the Latin American region shows that Peru achieved better rankings than these two groups with respect to Regulatory Quality and Controlling Corruption.

**Under the heading challenges:** On the other hand, the data also suggests the following vital governance areas that warrant significant attention:

- Quality of public service delivery remains one of Peru’s key challenges demonstrated by its lower ranking in government effectiveness
- Rankings in political stability imply perceptions of highly unstable government - this indicator has the lowest rankings relative to the other governance indicators
- Strengthening of the rule of law continues to be one of the critical governance areas that must be addressed
- High score on “regulatory quality” and low on “rule of law”, “corruption”, “political stability” implies that Peru is high on policies but performs weak in implementation.
Under the heading **current status**: The figure highlights a few of the key ministries, civil society organizations, business associations, and public-private collaboration initiatives that are currently working in Peru to address poverty issues and increase citizen participation. The number of civil society organizations (only a small sample is listed above) suggests that Peru has the capacity to establish a consultative dialoguing institution such as an Economic and Social Council (ESC).

**Short description of the various stakeholders:**

The *National Agreement* (NA) based on our preliminary research seems to resemble in function and structure, a broadly focused Economic and Social Council. The NA is a consultative body, authorized by the government, with the objective of increasing social dialogue. It is a government and civil society pact, begun by Valentin Paniagua, leader of the transitional government and instituted after the fall of the Fujimori administration in 2000. It was signed by all major political parties (in parliament) and key civil society organizations. *NOTE: See annex for summary of National Agreement’s 31 points and short history.*

The *Ministry of Interior* and the *Municipality of Barranco* are highlighted here because of their work in citizen engagement and administering poverty reduction initiatives. These are only some of the government ministries that have already sought participation from civil society organizations in monitoring specific public administration activities, specifically those relating to procurement procedures.

The *Ministry for Women and Social Development* is responsible for coordinating and facilitating the implementation of social programs. It has created a special decentralization task force with a specific focus on capacity building, provision of technical assistance, and implementation design of poverty reducing programs at the local level.

*Roundtables to fight poverty* (initiated in 2001/2002), is a programme implemented by the Ministry of Women and Development to specifically address poverty issues with direct input from society.

*Confederation of Private Enterprises (CONFIEP), Confederation of Labor Unions (CGTP), Citizen Proposal Group, Consortium of Socio-Econ Research (CIES), Assoc. of Social & Development Research Firms (ANC), and the Autonomous Center of Laborers (CATP)* are some of the existing active organizations and institutions that signify Peru’s civil society capacity.

Under the heading **challenges**: While Peru has done a great deal to increase citizen participation, evidenced by its subscription to the National Agreement in 2002, much is still needed to solidify a formal avenue for citizen participation in public institutions. In order to ensure that the key issues (as identified by the National Agreement’s 31 points – see annex for further details) are addressed, the capacity of institutional structures needs to be enhanced and cohesion among the various institutions needs to be encouraged.

Furthermore, central to low level coordination between public agencies, ministries, and departments need strengthening. One area for example that must be considered is an institutional arrangement that allows budgetary information among ministries as well as among local governments.
### E-Governance Profile: Current Status and Challenges

#### Current Status

<table>
<thead>
<tr>
<th>Country</th>
<th>Index 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>.69</td>
</tr>
<tr>
<td>Brazil</td>
<td>.59</td>
</tr>
<tr>
<td>Argentina</td>
<td>.59</td>
</tr>
<tr>
<td>Colombia</td>
<td>.52</td>
</tr>
<tr>
<td>Venezuela</td>
<td>.51</td>
</tr>
<tr>
<td>Peru</td>
<td>.50</td>
</tr>
<tr>
<td>Bolivia</td>
<td>.40</td>
</tr>
<tr>
<td>Ecuador</td>
<td>.39</td>
</tr>
<tr>
<td>Paraguay</td>
<td>.36</td>
</tr>
<tr>
<td><strong>Regional Average</strong></td>
<td><strong>.46</strong></td>
</tr>
</tbody>
</table>

*Source: 2005 E-government readiness Survey, UNDESA*

#### Challenges

- Peru scored higher than the South and Central American regional average but it can still improve its use of ICT and e-tools to support development and service delivery.

**Under the heading current status:** The UN Global E-Government Readiness Report conducted by UNDESA presents an assessment of countries according to a measurement of e-government readiness and the extent of e-participation worldwide. The UN Global E-Government Readiness Index is a composite measurement of the capacity and willingness of countries to use e-governance for ICT-led development and incorporates characteristics such as infrastructure (measured by Telecommunication Infrastructure Index) and educational levels (measured by the human capital index) and extent of a country’s use of the internet and the World Wide Web.

The 2005 E-Government Readiness report illustrates that Peru ranked 56th among all the countries included in the survey. It ranked 8th from a list of 20 countries in the South and Central American region, garnering an index of .50 relative to the average regional index of .46. Data above also suggests that Peru achieved high ratings for its Human Capital Index (a composite of the adult literacy rate and combined primary, secondary and tertiary gross enrollment ratio) with a score comparable to most countries in the Region.

**Under the heading challenges:** While data above signifies that Peru’s E-government Readiness rankings are higher than the regional average, there is still a need to further improve its use of ICT to support development and service delivery, particularly in enhancing Peru’s other E-government indicators such as the Web Measure (pertains to sophistication of web-services) and Telecommunication Infrastructure Index (composite indicator that evaluates country’s ICT infrastructure capacity). In addition, data for the E-participation Index which measure the relevance and usefulness of e-participation features in government websites around the world. Furthermore, this E-participation Index measures how well they are deployed by governments for promoting participatory decision-making. Peru’s ranking for this index has declined from 25th (2004) to 27th (2005), suggesting a need to enhance its usage of ICT tools to promote participation and development.

*** Higher index score implies better e-governance readiness ***
Under the heading current status: The Corruption Perceptions Index (CPI), a survey conducted by the Transparency International, measures perceptions of the degree of corruption as seen by business people and analysts. The CPI scores range from 10 (highly clean) to 0 (highly corrupt).

Peru’s CPI score for 2005 was 3.5 and ranked 65th, showing a slight improvement relative to its 2004 ranking of 67th. Other countries in the region that have performed better than Peru include Costa Rica, El Salvador, Colombia and Brazil. On the other hand, Argentina and Venezuela posted lower rankings than Peru.

Under the heading challenges:

- Peru’s CPI score is 3.5 out of 10, revealing that corruption is a continuing challenge – Peru’s CPI score from 2003 to 2005 has not shown any significant improvement given by its CPI score of 3.5 in 2004 and 3.7 in 2003. Furthermore, the most recent national survey conducted in 2004 by the Proética (Transparency International’s national chapter in Peru) also demonstrate that the most corrupt institutions in Peru are the Judiciary (74%) and the Police (71%).
- Peru’s accountability mechanisms including audit, monitoring, and evaluation require further capacity building. The Survey on the Latin American Budget Transparency Index, a two-year survey conducted by the International Budget Project, to evaluate perceptions on the budget among legislators, academic experts, media and civil society, showed that external oversight institutions in most of the Latin American countries, including Peru, are perceived to be ineffective. Furthermore, the Survey recommended the strengthening of accountability mechanisms in audit, monitoring and evaluation since the Survey findings suggested that countries lacked the necessary mechanisms in following up comptrollers’ recommendations, thus making it difficult to perceive real changes in the levels of corruption.
- Citizen engagement in accountability also requires attention- various studies concluded that there exists in Peru a pressing need to further promote citizen engagement in accountability, specifically in public consultation mechanisms pertaining to budget and monitoring of public activities.
This slide summarizes Peru’s Government Plan for 2006-2011 and highlights specific goals outlined by President Garcia’s to address poverty and human development as defined by the MDGs.

At this point of the presentation, Peru’s current status and challenges have been reviewed, thus providing a background for the subsequent discussion on government reforms. With this slide, the overall picture is expounded to include Peru’s future prospects (as outlined by the new administration’s plan of action).

This slide along with the next slide, begin to build a case for adopting DESA’s recommendations by constructing a connection between the challenges Peru currently faces and what the Peruvian government has identified as their main goals and key target areas. The next slide completes the picture by summarizing Peru’s strengths and as such its ability to implement DESA’s recommendations for addressing Peru’s current and future challenges.
Under the heading **Economic:** With a growth rate of 6.7% in real GDP for 2005 and overall positive movements forward with 2.1% average GDP per capita growth between 1999 – 2002, Peru’s economic prospects are promising. However, Peru with a GDP per capita of $5,260 (2003 est.) remains a developing country with economic challenges and increasing uncertainties in a greater globalized world. Peru’s economic challenges require sustainable solutions, such as economic initiatives that promote capital formation, improve Peru’s terms of trade, encourage domestic (private and public) savings, and at the same time create employment opportunities for women and young professional which are key for long term sustainable growth in Peru.

Under the heading **Governance:**

- **National Agreement** as described in slide 7 is a citizen engagement tool, greatly resembling an Economic Social Council. It is a mechanism for regular consultation between the government and citizen organization, business associations, and other stakeholders. It is responsible for organizing national forums on a regular basis with the objective of addressing the country’s most pressing issues (both economic and social), as agreed upon by stakeholders. It functions by dividing its mandate into four overarching themes: Democracy and Rights of the State, Social Justice and Fairness, Market Competitiveness, and Efficient, Transparent and Decentralized State. The National Agreement is highlighted here because of the depth of its scope, commitment to citizen engagement, and the number and diversity of its participants. See annex for a summary of the NA’s 31 programmatic points.

- **Commitment of President García’s administration to implement policies for the timely realization of the MDGs, specifically to alleviate poverty and address social justice and inequality.**
  President García’s government plan for 2006-2011 specifically recognized the importance of the MDGs and sets out an immediate action and long term plan for meeting MDG targets. He identifies the MDGs as one of the driving forces in the formation of his immediate action plan for the first 180 days of his administration.

- **Decentralization framework and decentralization laws at the municipal and regional levels exist**
  The Government has passed key decentralization laws such as the Decentralization Framework and respective decentralization laws at the Regional and Municipal Governments. The country is characterized by a decentralized structure comprising of 25 regions and further divided into 194 municipalities and 1,826 districts municipalities. The 25 regions are led by a Regional President, Regional Council and the Regional Coordination Council, comprising of provincial and district mayors and civil society representatives who are responsible for promoting regional development and competitiveness through public investment and the mobilization of public and private resources (see annex for more details).

- **Established institutions that promote citizen participation, transparency, accountability and ethics in civil service**
  Peru has established institutions that promote transparency and ethics such as the National Commission to Combat Corruption and Promote Ethics and Transparency in Public Management and the Decentralized Anticorruption Attorney Office. The primary mandate of the National Commission to Combat Corruption and Promote Ethics and Transparency is...
to reduce corruption by recommending national policies that promote ethics and transparency in public administration. It is also responsible for the following key tasks: to evaluate and report acts of corruption involving public funds to the Office of the Attorney General, to prepare the Annual Plan to Prevent and Combat Corruption, to submit legislative or administrative proposals through the chair of the Council of Ministers and to encourage transparency in public administration. On the other hand, the Decentralized Anticorruption Attorney Office, established under the Ministry of Justice, is responsible for the detection and prosecution of acts of corruption.

- **Achieved high rankings in regulatory quality which pertains to the ability of the Government to formulate and implement sound policies and regulations enabling private sector development (57 percentile rank relative to 50 for Latin American Region)**

- **Legislative provisions promoting citizen participation in public activities, transparency, access to public information and ethics in civil service exist**
  - The Government passed certain legislative provisions supporting citizen participation in public activities. Civil society organizations have participated in monitoring specific public administration activities, specifically those relating to procurement procedures in the following ministries and government agencies: Ministry of Interior, Ministry of Women and Development, Municipality of Barranco, PROINVERSION Program (in charge of privatization of state assets) and the National Office of Electoral Processes, etc.
  - In 2002, Government passed Laws on Transparency and Access to Public Information which was subsequently amended in 2003. These laws seek to promote transparency in state actions and regulate basic right of access to public information in all agencies of the public administration.
  - Enacted in 2002, the Law on the Code of Ethics in Civil Service (Ley de Código de Ética de la función Pública) establishes essential principles and ethical duties for civil servants such as maintaining conflicting interests, obtaining undue advantages, disseminating political propaganda, and cases of pressuring, threatening and harassing. Furthermore, the Code of Ethics has also been instituted in the following agencies: Chair of the Council of Ministers, National Office of Electoral Processes, Public records, the National Fund for Compensation and Social Development, the office of the General Comptroller of the Republic.

- **Established preliminary infrastructure for use of ICT for development**
This slide aims to build a link between Peru’s current challenges and DESA’s government reform suggestions. It also tries to link DESA’s recommendations with the Government’s existing reform vision. The title of this slide ‘Harvesting the Future’ for example was chosen because it gives direct reference to the Government’s published literature on programs and initiatives to reduce poverty and promote citizen participation. Incorporating the Government's own agenda signals DESA’s commitment to provide policy recommendations that are demand driven.

The column on the left lists the general challenges Peru faces. It is based on information presented in the profile sections of the presentation and also takes into account the Government’s own assessment of what challenges need to be addressed and what Peru plans to take on during President Garcia’s administration (Government Plan for 2006-2011). For example human development refers to the general challenges Peru faces in reducing infant mortality and increasing literacy rates, etc.- these two examples are of particular interest to the Garcia administration- as stated in President Garcia’s Government Plan for 2006-2011 (see appended materials for a copy of President Garcia’s Government Plan for 2006-2011).

The column on the right lists the seven general areas DESA has identified for government reform in an effort to address social and economic challenge, reduce poverty and enhance competence and quality of civil service. The areas for targeted intervention were chosen based on DESA’s analysis of the country’s current status and challenges and on President Garcia’s stated interests for government intervention during his term in office.
This slide builds on the previous slide and offers a more complete picture of DESA’s State Capacity Building Framework for Pro-Poor Development particularly for recommending government reform in an effort to achieve the MDGs, promoting growth and equity, and reducing poverty in Peru. The underlying proposal for this slide is that the government must undertake a holistic approach for pro-poor development and should not simply concentrate on areas that are politically popular. Each and every element for state capacity building must be addressed regardless of whether they are popular or not, and in some cases, maybe a drain on the Government’s budget.

The red boxes on the bottom are the targeted government reform areas. The reform areas (red boxes No. 1 to 7), if successful will address: issues of social equity, will strengthen institutions and consolidate Peru’s democratic system, will improve prospects for overall economic and social development, and will address the broad goals (points) outlined in the National Agreement- all of which have been listed in President Garcia’s Government Plan as key areas of interest for his administration. NOTE: The first DESA Government reform suggestion (1. MDG Oriented Policies) directly and indirectly aims to address poverty issues, thus the intervention’s direct path to the end goal is highlighted with a direct arrow. The successful implementation of these reforms will enable Peru to create the necessary conditions for reducing poverty, meeting MDGs, and allow for sustainable growth and equity.
State Capacity Building Initiatives: DESA’s Suggestions

1. MDG Oriented Policies

- Eradicate extreme poverty & hunger:
  - Improve access and quality of public services
  - Increase effective safety net programs (education and health) for the urban and rural poor

- Adopt targeted policies, programmes, projects and budgets for the development of indigenous peoples

- Reduce infant mortality and improve maternal health: Increase the demand for health services by lowering opportunity costs for the poor

- Promote gender equality and empower women

- Achieve universal primary education: Promote increased demand for education including quality of education

- Prioritize the development of public infrastructure, especially in rural areas

Eradicate extreme poverty & hunger

a) Improve quality of public services

*Best practices:* Technical Assistance Unit for Municipalities (UTAM). UTAM refers to a process for strategic local planning for development and modernization. The idea is that a team of economists, lawyers, planners, and IT experts, etc. are at the disposal of municipalities, and other local government entities. The team stands ready to assist local government in addressing local issues and providing other technical assistance pertaining to public service delivery.

b) Increase access to effective safety net programs for the urban and rural poor

*Best practices:* Non-contributory minimum pension system for the needy, and programs that understand the determinants of youth risk (e.g., incentives for secondary education completion).

Adopt targeted policies, programmes, projects and budgets for the development of indigenous peoples

Reduce infant mortality and improve maternal health: Increase the demand for health services by lowering opportunity costs for the poor

Promote gender equality and empower women

*Best practices:* Increase job search, placement programs, and day care services for poor mothers which then support labor market participation among poor households, especially in urban areas.

Achieve universal primary education: Promote increased demand for education including quality of education

*Best practices:* Brazil’s Conditional Cash Transfer (CCT) program known as, Bolsa Família (Family Grants Program). It provides cash transfers to poor families in exchange for their compliance with certain education and health actions. Efforts are also underway to devise mechanisms to link Bolsa Família beneficiaries to other complementary services and programs, with the program acting as an "integrating force" for social policy, both within the federal government and vertically across levels of government (federal, state and municipal).

Prioritize the development of public infrastructure, especially in rural areas – The development of public infrastructure (roads, education?) was one of the key goals defined in President Garcia’s Government’s Plan requiring short term/immediate actions.
SLIDE 15 - STATE CAPACITY BUILDING INITIATIVES: DESA’S SUGGESTIONS
PRO-POOR POLICY PROCESSES

State Capacity Building Initiatives…contd.

2. Pro-Poor Policy Processes

- Citizen engagement and social mobilization for social development policies: Citizens’ Social Charter, at national as well as local government levels
  - Best Practice: Citizens’ Social Charter in South Asia: UNDESA provided substantive support and guidance to the South Asian Centre for Policy Studies (SACEPS), a South Asian CSO networking organization, in mobilizing the civil society organizations in each of the 7 countries in the South Asian region to initiate grass-root consultations and formulate a policy document that captures the citizen perspectives on key social development issues. This policy document, known as the “Citizens’ Social Charter in South Asia” has been instrumental in articulating the social development issues of participating countries in the region. This initiative has deepened the consultation process with the communities and is now being tabled at different governmental and non-governmental fora for advancing policy dialogue in social development in the South Asian region.

- Citizen engagement in budget formulation, monitoring and implementation at all levels—both national and local levels
  - Best Practice: Participatory Budgeting in the Municipality of Porto Alegre, Brazil: introduced public debates on resources, investment, income and expenditure priorities of the budget and resulted in improved quality of life and better social distribution of public income (higher school attendance rates, increased access to water and sewage, etc).

- Citizen engagement for the full and effective participation of indigenous people, with particular emphasis on women and youth
  - National government/local government consultative process for national policy making
  - Formalized system in which national and local governments work together to create innovative programs that emphasize community engagement for achieving MDG targets

- National government/local government consultative process for national policy making
  - Peru would benefit from fostering and strengthening its state’s capacity for pro-poor development, particularly by applying existing mechanisms for public-private dialogue to other sectors and expanding the scope of the thematic focus covered by the current National Agreement (see annex).

- Formalized system in which national and local governments work together to create innovative programs that emphasize community engagement for achieving MDG targets—
  - Best Practice: Korean Government Innovation Index (GII) - The index helps organizations to diagnose levels of innovation, identify weak areas, and develops action plans to fortify their innovation capacities. The overall results of the index can serve as a reference for national innovation strategies. Diagnostic results and feedback are provided to each ministry. Based on the diagnostic results, each ministry is encouraged to develop a plan of action to address weakness and enhance strengths. Comparisons across all levels of government (national and local) are possible and allows for learning mechanism so that best practices from one agency/branch of government can be replicated by other ministries.
3. Joined-up Government

- Assess the capacities and respective roles and functions of central level institutions that advance pro-poor policies, especially how they contribute to:
  - Joined-up set of cohesive policies
  - Harmonization of roles/functions and regulatory framework
  - Establishment of institutional linkages, vertical and horizontal for efficient and effective delivery of services
  - Quality service delivery at the grass-root levels, both at the central and decentralized levels

This slide refers to the creation of a formalized system in which national and local governments work together to create innovative programs that emphasize community engagement for achieving MDG targets. The National Agreement is a good example of existing institutions that allows for consultative processes to influence a more coordinated and pro-poor oriented policy decisions and implementation. A Joined-up Government entails a government that ensures the achievement of a more cohesive set of policies, harmonization of roles and functions at all government levels, horizontal and vertical coordination and the effective delivery of public services at the grass roots level.

*Best Practice:* Korea’s regional innovation system (RIS) in which governments, industries work together for regional development.
Enhance Peru’s public service delivery with innovative solutions that enable the government to reach all citizens. Bring the government to the people. Target specifically the traditionally marginalized and those living in conditions of extreme poverty.

*Mobile One-Stop Public Service Delivery*

*Best Practice:* In Brazil the citizen assistant service centers in Bahia and other mobile service centers enabled the government to reach citizens in even the most remote area of the Amazon.

A decentralized delivery system would also benefit from the devolution/transfer of administrative and financial authorities to the local governments. One concrete way to implement this is to provide technical assistance to local and regional governments to further enhance their capacities in service delivery.

*Best Practice:* In 1999, the Australian Public Service Commission developed the Public Service Act which provided increased devolution and flexibility of authorities to the Australian Public Service (APS) agencies. In addition, each agency in the APS were encouraged to align their staffing, performance management systems and service delivery arrangements to maximize their effectiveness against the business objectives established by the elected government. The decentralization of authorities to local governments further enhanced its accountability and ensured continued professionalism.
5. Citizen-based Public Accountability System

- Accountability, audit and central mechanisms for Results Based Monitoring and Evaluation (RBME)
- Develop indicators to regularly measure government efficiency
- Enhance the credibility of anti-corruption and allied ‘watch-dog’ institutions (foreign or home-based organizations)
- Independent commission against corruption
- Incorporation of citizens into the public accountability system

- Accountability and audit and central mechanisms for Results Based Monitoring and Evaluation
  ✔ A number of countries like Sri Lanka have institutionalized the monitoring and evaluation of public service delivery, based on predetermined indicators and results and have moved away from the traditional “monitoring and evaluation auditing” approach.

- Develop indicators to regularly measure government efficiency

- Promote ethical and professional standards within the public service
  ✔ *Best Practices: Singapore* - The Polygon of Good Laws has promoted greater professionalism in the legislative decision-making process by developing a method to scrutinize bills before they become law.

- Enhance the credibility of anti-corruption and allied ‘watch-dog’ institutions (foreign or home-based organizations)
  ✔ *Best Practices: Morocco* - The Government-sponsored Autonomous Establishment of Exports Control and Coordination improved the transparency, accountability and responsiveness of the whole Moroccan export process.

- Independent commission against corruption

- Incorporation of citizens into the public accountability system
  ✔ It would service Peru’s government well if the executive branch would encourage and support efforts of NGOs and other civil society organization to participate not only in dissemination of information relating to government policies and decisions but also in the participation of other government functions such as planning, budgeting, auditing, and monitoring and evaluation of public expenditures.
6. ICT Oriented Government: Service delivery through E-government

- Enhance national website to display relevant information on public services and facilities for on-line service delivery
- Increase use of ICT to enhance coordination within and across government levels
- Improve access of ICT in rural areas through application of appropriate technologies
- Automation of back-end and front-end government systems

Enhance national website to display relevant information on public services and facilities for on-line service delivery

Best Practice Example: Chile’s national homepage (www.gobiernodechile.cl) provides information on all the relevant activities of the government. The front page provides links to all online transactions and services, regional government websites and sites to consumer safety and civil/criminal defense. The site includes a notice board of current government needs, online registration for private companies wishing to do business with the government, and updates on procurement guidelines and regulations. In addition, there is an online discussion forum that allows providers and government agencies to learn more about best practices, available contracts, and other procurement-related news and information. Chile has also used e-government in promoting employment as exemplified by its initiative called the “InfoEmpleo” (www.infoempleo.cl) which is an online national employment database that assists citizen-employees find jobs and private employers in filling employment slots. This is the only government-sponsored online employment network found in Latin America. This government service is free and convenient to use.

Increase use of ICT to enhance coordination within and across government levels

Improve access of ICT in rural areas through application of appropriate technologies

Best Practice: Solomon Islands, People First Network (http://www.peoplefirst.net.sb/general/PFnet.htm)
The Solomon Islands comprises roughly of 850 islands, mostly undeveloped and spread out over an area of the Pacific. Currently, the only two means of communication with the outside world for most remote locations in the Solomon Islands are short-wave radios and satellite telephones. In 2001, the Solomon Islands Government with the support of the UNDP, UNOPS and other donor countries, established the People First Network, a rural networking project that allows affordable and sustainable communications to/from the remote provinces of the Solomon Islands among various stakeholders and facilitates networking and rural development and information flows among all social groups. This wireless email networking is powered by a short-wave radio, a low-end computer, and solar energy. Through this technology, rural communities, for the first time, were able to communicate with their families and friends residing in other areas of the country and the world. This affordable communication also provided citizens with an opportunity to participate in government activities such as national debates and public consultations. This network also greatly assisted disadvantaged rural women in networking, accessing relevant services and women's groups and further enhanced the quality of public education.

Automation of back-end government systems such as financial management and procurement, but also the front-end, online government presence for the dissemination of government information and service delivery

Best Practice Example: The government of Karnataka, India has instituted the widely-lauded Bhoomi land registry system. Using biometric identification technology, document scanning, and dispersed information kiosks, the system has automated 20 million land records since its inception in 1998. Additionally, the state of Bihar has implemented the Sales Tax Administration Management Information Network Aided (STAMINA), improving sales tax revenue collection and helping prevent tax evasion. Implemented in stages, it has catalyzed steadily increasing tax revenue for the state since 2001.
Civil service reform, particularly the promotion of professionalism, integrity and ethics, has been identified as one of the key priorities of President Garcia’s Administration. The recommendations appearing in this slide are among the identified objectives outlined in the Government’s Plan for 2006-2011. Background information on some of the recommendations appears below:

**Strengthen the Law on the Code of Ethics in Civil Service (Ley de Código de Ética de la función Pública)**

Enacted in 2002, this law establishes essential principles and ethical duties for civil servants such as maintaining conflicting interests, obtaining undue advantages, disseminating political propaganda, and cases of pressuring, threatening and harassing. The Code of Ethics has also been instituted in the following agencies: Chair of the Council of Ministers, National Office of Electoral Processes, Public records, the National Fund for Compensation and Social Development, the office of the General Comptroller of the Republic.

**Emphasize client satisfaction through quality training programs for civil servants**

*Best Practice:* The Korean government has built a learning structure for voluntary and autonomous innovation based on civil servant learning groups or CoP (Community of Practice). The learning communities are unofficial groups for sharing goals and improving relationships among fellow colleagues. The communities can also function as an official group for solving problems.
UNDESA presents in this slide a State Capacity Building Strategic Framework for implementing the state capacity building initiatives elaborated in the earlier slides. This Strategic Framework entails assessing the time-frame in terms of implementing the identified government reforms. This would require identifying whether these reforms can be addressed and implemented on a short-term, medium-term or long-term basis. Furthermore, there is also a need to determine whether the government reforms could be applied to a specific sector or across different sectors in the government. Lastly, this framework suggests the establishment of a monitoring agency to monitor and evaluate the effectiveness and outcomes of implemented government reforms.
DESA’s Capacity and Areas of Assistance for Perú

- **Comparative Policy Research and Analysis**
  - DESA can help Perú by undertaking a capacity assessment study of its current institutions and suggest options of change and adjustments so that these get better aligned within the framework of Perú’s development vision including MDGs.

- **Information Sharing and Training Programmes**
  - DESA has developed several on-line and on-site training programmes on decentralization, e-governance, participatory governance, results-based monitoring and evaluation etc. for public service capacity building. These could be useful for Perú’s public servants/training of trainers/capacity development of national training institutions etc.

- **Technical Cooperation**
  - DESA maintains world class in-house interregional advisors and other experts who can offer necessary capacity building advices for institutional strengthening activities.

- **South-South Cooperation**
  - DESA has a wide network and database of best practices and possesses, the capacity to assist through South-South cooperation in a variety of areas including study tour, training and consultancy services.
Further information on poverty levels in Peru:

### Table 1: Poverty indicators in 2004

<table>
<thead>
<tr>
<th></th>
<th>Headcount</th>
<th>Gap</th>
<th>Severity</th>
<th>Headcount</th>
<th>Gap</th>
<th>Severity</th>
<th>Gini</th>
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<td>14.1</td>
<td>40.3</td>
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<td></td>
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<td>Urban Costa</td>
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<td>4.5</td>
<td>6.2</td>
<td>1.4</td>
<td>0.5</td>
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*Source: Authors’ calculations using data from ENAHO 2004 (INEI)—Annual sample covering the period January to December 2004.*

### Table 2. Percent of Population Below Poverty Line, 2001–04

<table>
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<tr>
<th>Geographic Zone</th>
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### Table 3. Percent of Population Below Extreme Poverty Line, 2001–04

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<tr>
<td>National Total</td>
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<td>21.9</td>
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The 2004 WB Governance Indicators demonstrate that Peru achieved a higher rankings compared to lower middle income average countries with respect to the following indicators:

- 45 (percentile rank) in Voice and Accountability relative to 41 (percentile rank) for lower middle income average countries (LMC)
- 57 (percentile rank) in Regulatory Quality relative to 39 (percentile rank) for LMC
- 45 (percentile rank) in Control of Corruption relative to 39 (percentile rank) for LMC

Peru’s performance relative to the Latin American region is also detailed below:

- 57 (percentile rank) in Regulatory Quality relative to 50 (percentile rank) for Latin America
- 32 (percentile rank) in Government Effectiveness relative to 42 (percentile rank) for LA; performed better than Ecuador (20), Bolivia (30), and Venezuela (16); achieved lower ratings than Brazil (58) and Argentina (42), and Colombia (51)
- 45 (percentile rank) in Control of Corruption which is at par with LA regional percentile rank

Thus the findings suggest that Peru performs better relative to the lower middle income countries and other Latin America countries with respect to regulatory quality and controlling corruption. On the other hand, the data also indicates the importance of enhancing its government effectiveness given its lower ratings relative to the region and the lower middle income countries. This is particularly critical since this indicator addresses the delivery of public services and credibility of government’s commitment to policies.
The National Agreement is a government and civil society pact, begun by Valentin Paniagua, leader of the transitional government put in place after the fall of the Fujimori administration in 2000. The Pact of Governability was subscribed by all the represented democratic parties of parliament in November, 1999 as a way to rebuild the shattered image of the government and to rebuild a society scarred by years of civil unrest and systemic human rights violations (Sendero Luminoso guerilla war 1980-2000). A Roundtable for Open Dialogue was organized by the Organization of American States (O.A.S.) and other international entities in October, 2000 and Roundtable for Development and Democracy were initiated by the president of the transition government, Valentin Paniagua, in May, 2001. The completion of these roundtables led to the subscription of a formalized National Agreement signed by the government, all political parties represented in parliament, and other local civil society entities. The National Agreement provides a framework for participatory governance; through forums and closed session meetings— all stakeholders (over 800 participants in all) are given a voice to address the most pressing issues in the country. The forums are divided into four overarching themes: Democracy and Rights of the State, Social Justice and Fairness, Market Competitiveness, and Efficient, Transparent and Decentralized State. Combined the forums have produced a 31 point declaration (see summary of the declaration below).

31 Point Declaration from the National Agreement Dialogues/Forums

A. Democracy and Rights of the State
1. Fortification of the democratic regime and of the rights of state
2. Democratization of political activities and fortification of party system
3. Affirmation of national identity
4. Institutionalization of dialogue and agreement of initiatives
5. Government based on objectives, with strategic planning, national prospective and transparent procedures
6. Foreign policy geared towards peace, democracy, development and integration
7. Eradication of violence and the fortification of citizenship and citizen security
8. Policy of decentralization, political, economic, and administrative for the purpose of internal development
9. Policy for national security

B. Social Justice and Fairness
10. Reduction of poverty
11. Promotion of equality of opportunities for all without discrimination
12. Universal access to free quality public education and promotion and defense of culture and sports
13. Universal access to health services and social security
14. Access to full, worthy and productive employment
15. Promotion to a minimum guaranteed level of nourishment and nutrition
16. Fortification of the family, protection of children, and of the youth and adolescents

C. Market Competitiveness
17. Affirmation of the social economy of markets
18. Competitiveness, productivity, and formalization of economic activity
19. Sustainable development and environmental management
20. Development of the sciences and technology
21. Development of infrastructure and housing
22. Policy on commerce for the extension of reciprocal markets
23. Policy on agrarian and rural development

D. Efficient, Transparent and Decentralized State
24. Affirmation of a transparent and efficient State
25. Institutionalism of the Armed Forces and with a commitment towards preserving democracy, constitution, and human rights
26. Promotion of ethics transparency and eradication of corruption, money laundering, tax evasion and contrabands of any form
27. Eradication of the production, consumption, and traffic of illegal drug
28. Stringent protection of the Constitution, human rights and access to justice and independent judiciary
29. Access to information, freedom of the press, and freedom of expression
30. Elimination of terrorism and affirmation of the principles held in the National Reconciliation pact
31. Fiscal responsibility and sustainability and the reduction of public debt
### E-Government Readiness Index

<table>
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<th>COUNTRY</th>
<th>WEB MEASURE INDEX</th>
<th>INFRASTRUCTURE INDEX</th>
<th>HUMAN CAPITAL INDEX</th>
<th>E-GOVERNMENT READINESS INDEX</th>
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#### Regional e-government readiness rankings

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#### E-government readiness rankings: South & Central America

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<tr>
<td>Average</td>
<td>.46</td>
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Instituted Decentralization Framework and decentralization laws at the municipal and regional levels

- Peru is characterized by a decentralized structure comprising of 25 regions and further divided into 194 municipalities and 1,826 districts municipalities. The 25 regions are led by a Regional President, Regional Council and the Regional Coordination Council, comprising of provincial and district mayors and civil society representatives who are responsible for promoting regional development and competitiveness through public investment and the mobilization of public and private resources.