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DEMOCRACY AND GOOD GOVERNMENT

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THIRD EDITION,
CORRECTED AND EXPANDED

agenda:PERÚ

DEMOCRACY AND GOOD GOVERNMENT

TOWARDS DEMOCRATIC
GOVERNANCE IN PERU

(Third edition,
corrected and expanded)

FRANCISCO SAGASTI
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Lima/May 2001

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PREFACE

The basic idea behind the project Agenda: PERU has been to contribute to a better understanding of the multiple crises Peru is experiencing and to outline proposals to improve the prospects for democratic governance, good government and social and economic development. The specific objectives of Agenda: PERU have been: to prepare a diagnosis of the current situation of governance, keeping in mind the changing social, economic and political contexts which characterize contemporary Peru; to promote the exchange of views and debate on the problems of democratic governance and good government; to propose strategies and policies for Peru's democratic development in the transition to the 21st century; and to widely disseminate the results of these diagnoses and debates.

Adopting an approach which emphasized consultation, dialogue, and the importance of consensus, the project sought to involve the broadest possible range of citizens in designing its vision of the problems of democratic governance and good government in Peru and in proposing development strategies that will allow all Peruvians to advance toward prosperity and wellbeing.

From the outset, we considered the best approach to defining an agenda of issues on democratic governance and good government was through dialogue, the exchange of opinions and a willingness to arrive at understandings and accords within a climate of tolerance and respect for divergent viewpoints. In other words, Agenda: PERU is not simply an effort at diagnosis but also an exercise in democracy centered on the

issue of governance and the design of development strategies. Throughout the seven years the project lasted, experience demonstrated that the process of gathering the ideas that arise in open discussion – ideas that are sometimes contradictory, often confused and nearly always difficult – is impossible unless one is permanently receptive and open to being surprised. It is evident that the force and legitimacy of the diagnosis and the agenda, the strategy and policy proposals, will be defined by the degree of consensus and support that they generate in the population.

During our work, alongside real and operative consensus, we have often found consensus that are negative, superficial or merely apparent. That is the reason for our insistence, throughout the text, on a number of points and definitions: we have attempted to avoid rhetorical and empty phrases. This has led us to stress our diagnosis of democratic governance and good government. That diagnosis is the shared foundation of views on which the agenda has been drawn up. Nevertheless, it has proved impossible to develop the agenda points in the depth and detail we would have wished. It remains to identify specific actions, priorities and resources, as well as those who will be responsible for their implementation. If all this is to materialize, it will have to extend into the wider national political arena: this will be possible only if it is a gradual process, edging forward through dialogue and consultation.

Agenda: PERU began its work at the start of 1993: this can be divided into two phases. The first involved preparing a diagnosis of the situation of democratic governance and identifying an agenda of issues necessary for good government and development. In the second phase, we selected a limited number of issues to develop in depth: simultaneously, the diagnosis was updated. The focal point of the second phase was the design of a development strategy for the transition to the 21st century. In drawing it up we used the same participative approach and methodology of consultation as is described below for preparing our diagnosis of the problems of governance contained in this book.

The first stage lasted until the end of 1995. It began with the creation of a working group made up by Francisco Sagasti, Max Hernandez, Pepi Patron and Nicolas Lynch: they were assisted by Antonio Gonzales

Norris while Maria Ines Bello provided administrative support. The first task involved reviewing the existing literature on the topics of power structures, political development, reform of the state, popular participation, and other issues relating to democratic governance and good government. That exercise underscored the important contributions that many Peruvian researchers and social scientists have made to the understanding, over the past several decades, of Peru's complex and changing political, social and economic reality. At the same time, we sought the collaboration of experts to draw up reports on decentralization, justice administration, the new role of the political parties, recent changes in relations between power groups, and the division of labor between public, private and non-governmental sectors.

With this information in hand, the Agenda: PERU team began a lengthy process of consultations and interviews with over fifty opinion leaders from different sectors, ranging from the Church to the Armed Forces and from grassroots organizations to central government. Transcribing, reading, and discussing the interviews led the team to reappraise many of its original ideas and opened the way to a learning process which lasted throughout the life of the project.

The proposals born of this process were then discussed with groups of historians, anthropologists, sociologists, student leaders, economists, physicians, specialists in cultural issues and gender relations, business executives, labor leaders, grassroots leaders, and experts on economic and social development. Though these discussions invested the ideas of democratic governance and good government with their own dynamic and vitality, the team had yet to move beyond the realm of opinion leaders, professionals and intellectuals.

To broaden the input into this diagnosis of the problems of democratic governance, and to conduct a first "reality check" on the proposals arising from the meetings with professionals and experts, the team decided to conduct focus group sessions with people from low-income sectors in metropolitan Lima. Groups of eight to ten participants with similar backgrounds were chosen at random to participate in working sessions led by specialists in focus group techniques and group dynamics.

The groups discussed topics defined in a set of guidelines summarizing the central ideas on democratic governance which the Agenda: PERU team had developed up to that point. These meetings brought more than one surprise, leading the team to rethink many of its conceptions and interpretations regarding social disintegration, the institutional crisis, democratization and other subjects covered in this book.

For a second test of its results, the Agenda: PERU team turned to a public opinion poll carried out by a professional polling agency. The poll took place in December 1993, using a representative sampling of adults in metropolitan Lima. These results provided a broader, more quantifiable and representative vision of how Peruvians themselves feel and perceive the problems of democratic governance, and of how they envision good government.

The focus groups and the opinion poll helped overcome the inherent shortcomings of an understanding of democratic governance based solely on expert and professional opinion. This made it possible to redefine ideas about the conditions under which, and how, power and authority are exercised, taking into account not only the views of opinion leaders, but also the views, perceptions, and opinions of ordinary Peruvians.

In early 1994 the Agenda: PERU team wrote up a preliminary working document based on the information and results processed up to that point. This initial document was discussed in a two and a half day "Search Conference," in which representatives from a broad variety of sectors of metropolitan Lima's social, political, economic and cultural life participated.

During its first year Agenda: PERU worked only in the capital city, Lima, with all the biases such a geographical limitation implies. In 1994 it began work in other parts the country. Roundtables were held in Tacna, Chiclayo, Tarapoto, Ayacucho and Cajamarca, while search conferences took place in Yucay (Urubamba), Chilina (Arequipa), and Trujillo. The team also conducted visits and interviews in each of these cities. These events shed light on the wealth of ideas and information on democratic governance and good government available beyond the

capital's limits, and underscored the importance of bringing a "decentralized" understanding of contemporary Peru into Agenda: PERU's work.

Based on evaluations of the workshops and roundtables, which took into account both the content of the discussions and the behavior of the participants, the Agenda: PERU team revised its preliminary document, incorporating new viewpoints and changing many of its original assertions. At the same time, Agenda: PERU began to make its results available to the public. The report "Good Government and Development in Peru" was published and distributed to all who had participated in the project discussions, as well as to a broad range of people and organizations interested in the issue of democratic governance. This same document, edited journalistically and with graphics, was published in a series of weekly inserts by the daily *La Republica*. Lastly, in collaboration with the newsweekly *Caretas* a pamphlet entitled "To Govern in Democracy: An Agenda and a Challenge" was published, summarizing the project's most important findings. These publications made Agenda: PERU's preliminary findings available to many thousands of readers.

Throughout 1994 the team members presented the project results in a variety of fora: youth organizations, teachers' associations, grassroots women's groups, associations of graduates of foreign universities, research centers, universities, and the Center for Advanced Military Studies, among others. In addition to allowing the team to receive valuable comments and suggestions firsthand, these events made it possible to examine and gauge how a variety of sectors reacted to Agenda: PERU's proposals. This phase of the project, during which the team communicated ideas and views between very distinct groups, highlighted the importance of a dialogue open to pluralism and diversity.

Over the course of ten radio programs broadcast during December 1994, the Agenda: PERU team discussed democratic governance and the project results with people from a variety of political tendencies. These call-in programs also made it possible to receive questions and input from listeners. December also brought a second opinion poll, conducted in 18 cities, and a new series of focus groups in three provincial cities. Being conducted in different cities doubtless contributed to the differences be-

tween the Lima and provincial polls, but another factor was the passage of a year's time between the first and the second.

In 1995, a general and municipal election year during which Nicolas Lynch was a candidate for Congress, the working group that prepared the present document was reshaped. In this second phase, AGENDA: Peru incorporated new members to the team, including Gonzalo Alcalde, Jorge Chávez Granadino, Cristobal Aljovin, Guillermo Felices, Eliana Chrem and Carla Saenz. Various consultants also participated and Patricia Alcocer and Dana Pulache provided administrative support. The emphasis of AGENDA: Peru's program changed and a number of the agenda points for democratic governance and good government presented in this document were selected to continue working on. Specifically, and from late 1995, activities focused on reform of the executive, the creation of fora for debate among university students and the design of a development strategy for Peru in its transition to the 21st century. As part of this last-mentioned issue, we carried out various studies on social policy, macro-economic policy, sectoral policies, environmental policies, gender policies, visions of Peru's future and studies on the international context for Peruvian development.

Over the years, Agenda: PERU has maintained the approach that gives priority to consultation, dialogue and the creation of operating consensus. This has led us to organize seminars and workshops, to carry out in-depth interviews, hold focus groups and actively participate in a series of conferences and round tables in Piura, Trujillo, Chiclayo, Huanuco, Iquitos, Huancayo, Huancavelica, Ayacucho, Cusco, Ilo and Puno as well as various places in Metropolitan Lima. This allowed us to gather a great deal of valuable information, to receive contributions on specific issues and to become aware of citizen viewpoints, both shared and divergent, of Peru's problems and possibilities.

To complete the consultation process, at the end of 1998 we organized a search conference; in mid-1999, we held another national opinion survey and a series of focus groups on the issues of democratic governance, institutional reforms and development strategies; and at the end of 1999, we held a final design and reflection workshop to examine the proposals on development strategies and institutional reforms. All these have

greatly enriched the work of Agenda: PERU and we are very grateful to the large number of people who have generously given time to participate in our activities, as well as sending in their views and contributions.

This book is the third edition of *Democracy and Good Government*. It follows a second edition published in late 1996, which contained minor changes: the first edition sold out. We have introduced additional material in order to update the information on the diverse issues covered by the text: this edition therefore presents a vision of the problems and prospects for democratic governance in Peru during the 1990s. The majority of changes are in the chapter on democratization, modernization and legitimation, although some of the other chapters have also been modified.

The text picks up on the elements that constitute a shared perception of the characteristics, possibilities, difficulties and aspirations that emerge from a collective reflection on the issues of democratic governance and good government in Peru. It presents the data, opinions, viewpoints and interpretations collected during a lengthy and complex study process involving the generous and disinterested participation of around a thousand people from different provincial areas and metropolitan Lima. Although it is inevitable that our own viewpoints shine through, we have made an effort to articulate and structure the material in such a way as to reflect the multiple perspectives and opinions we have encountered in seven years of consultations. We assume responsibility for the diagnosis and proposals presented in this report and offer it to the reader as an open text which has taken on its own existence. We hope it will be enriched with the ideas of all those who wish to contribute.

In writing Agenda: PERU's final document, we have eschewed a weighty academic style (forgoing, for instance, footnotes and endnotes, though we do include a bibliography). *Italicized portions of the text* indicate that the phrase comes directly from an interview with a participant in one of the project events or focus groups. Our intention has been to present an accessible and simple text which faithfully reproduces the voices of all the Peruvians who contributed to it, one which remains open to criticisms and suggestions from all who are committed to good government and democratic governance. Lidiette Brenes, Fernando Gubbins and Carla Saenz helped in the updating and editing of this edition.

Immediately following this preface, the introduction to the book describes how concern for governance arose in the international arena; it briefly examines the changes Peruvian society has undergone, especially during the past half century. Chapter 1 deals with the causes and consequences of social disintegration and the crisis of Peruvian institutions in the past decade. Chapter 2 examines the three social processes that must be developed if we are to advance toward democratic governance and good government: democratization, modernization and legitimation. Each of these processes is examined in detail in different sections. We have placed greatest emphasis on the first, given its importance for the consolidation of an active civil society that is capable of participating in the efforts to attain governance in democracy. Chapter 3 sets out some ideas on national integration and shared aspirations: these include elements that orient the development of Peruvian society and could go toward creating the vision of the Peru that we Peruvians desire. Chapter 4 proposes the basic points for an agenda for democratic governance and good government: it is followed by some final considerations. At the end of this book is a list of the people who generously contributed to making the Agenda: PERU project a reality.

Lima, September 1999
Francisco Sagasti and Max Hernández
Directors of Agenda: PERU

PREFACE TO THE 2001 ENGLISH EDITION

The third edition of this report was completed in September 1999, when Mr. Alberto Fujimori was in the last year of his second presidential term and preparing to make his questionable bid for a third term. Eighteen months later, as the English translation appears, an astonished citizenry has learned of the true extent and pervasiveness of corruption, human rights violations and blatant abuse of power that characterized the authoritarian regime of Mr. Fujimori. The catalogue of lies, deceptions, misdeeds, frauds, outright appropriation of State assets and perversion of practically all public institutions – as well as of a few private ones – has exceeded anything but what the most feverish and paranoid imagination could have dreamed up.

The truth that has emerged from hundreds of gatherings surreptitiously videotaped by Mr. Vladimiro Montesinos, the former intelligence advisor to the Fujimori regime, and from the work of many Congressional and Judicial investigative commissions, has fully confirmed what we offered as assertions and statements in this report. If anything, we erred on the side of caution when describing and analyzing the aberrant way in which power and authority were exercised in Peru during the 1990s.

Following his second reelection in May 2000 Mr. Fujimori was forced to resign after massive popular protests and after the “vladivideos” exposed the blatant truth for all to see. Alberto Fujimori faxed his resignation from Japan in late 2000, after escaping the country under the pretext of attending a Pacific Basin summit of Heads of State. He later claimed Japanese citizenship to avoid prosecution in Peru. He was replaced by Mr. Valentín Paniagua, who was then the Speaker of the single-chamber Congress. The transition government has organized exemplary, free and fair elections and, as a result, a new and legitimate President will take over in July 2001.

This report presents an overview of what happened in Peru during the 1990s and offers an agenda of issues to tackle in order to promote and consolidate democratic governance. It is complemented by a series of 15 books and monographs on specific themes (all in Spanish), and also by a final synthesis report of the Agenda: PERU program on development strategies, institutional reforms and democratic governance, which is also available in English.¹ We hope these texts will help others in tackling the difficult challenges developing countries face at the start of a new century.

Lima, May 2001

Francisco Sagasti and Max Hernández

Co-directors of Agenda: PERU

¹ Francisco Sagasti (coordinator), *Development Strategies for the 21st Century: the case of Peru*, Lima, Peru Monitor/Agenda: PERU, 2001.

INTRODUCTION

WHAT ARE GOVERNANCE AND GOOD GOVERNMENT?

There are ancient roots beneath the complex blend of ideas and practice covered by the words governance and good government. The questions of how to organize social relations, how to articulate and regulate relationships between individuals, how to organize the provision of collective services, how to define what is appropriate for the public and private realms, and how to establish controls and counterbalances for the exercise of power have occupied thinkers and political leaders throughout human history. In contemporary Peru, with its complex social processes and privations of every sort, these issues have taken on great importance because good government, in its broadest sense, is a necessary precondition for economic development, social wellbeing, and political stability.

The concepts of **governance** and **good government** refer to the efficient, effective and legitimate exercise of power and authority in order to accomplish social and economic objectives. Efficient, in the sense of achieving the objectives of government in a transparent way and without wasted resources. Effective, in the sense of achieving those objectives while maintaining the stability and credibility of institutions and the political system. And, lastly, legitimate, in the sense that citizens recognize the right of those who govern to exercise power and authority, and identify with state institutions which respect pre-established limits and ground rules.

Governance became a central concern in western democracies during the mid-1970s, when it became clear that there were limits to the capacity of political institutions in Europe, North America and Japan to respond to growing social demands and the diverse interests which had to be reconciled in order to achieve good government. More dramatically, the collapse of totalitarianism in eastern Europe and the former Soviet Union during the late 1980s sparked discussion of issues like the legitimacy, effectiveness and efficiency of political regimes in an international order undergoing profound transformations.

Concerns about governance

Over the past two decades, governance became a matter of concern in developing nations for a number of reasons. In Latin America, the catalyst was the transition from authoritarianism to democracy and the introduction of sweeping economic reforms. In Africa and part of Asia, it was the continued failure, after decades of political independence, to raise living standards. In the Middle East, it was the rise of fundamentalism and demands for popular participation. And in the rapidly developing nations of southeast Asia, economic growth generated powerful pressures to reform the political systems, making them more open and participatory.

In the early 1990s, several troubling developments in the industrialized nations led to what is seen as a generalized crisis of governance. Corruption scandals undermined confidence in the political systems of Japan, Italy, Germany, France and Spain; extreme right-wing groups calling for the expulsion of immigrants appeared in Germany and France; and constitutional crises seized the political stage in Canada (as a result of separatist initiatives by Quebec), Japan (because of debates over the participation of Japanese troops in multilateral peace missions), and western Europe (due to discrepancies over the European Union and military intervention in Bosnia and Kosovo).

Economic setbacks in Australia, Canada, the U.S., Spain and Sweden brought disenchantment with the welfare state, while the spread of organized crime, drug trafficking and terrorism in Europe, North America and Japan – not to mention the former Soviet Union and eastern Europe – have generated a sense of insecurity that undermines the bond between

states and civil societies, and between governments and peoples. The collapse, dismemberment and civil wars in the former Yugoslavia – which led to the first NATO intervention since the First World War – accentuated still further this sense of insecurity.

As the turn of the century approached, the same problems that affect the industrialized countries – corruption, constitutional crisis, economic stagnation, ethnic conflict and the expansion of criminal activity – spread throughout the developing world. To this list of woes, one could add civil war, terrorism, famine and religious strife. For the most extreme examples of the international crisis of governance, one can turn to nations like Afghanistan, Myanmar and Pakistan in Asia; Rwanda, Burundi, Sudan, Somalia, Zaire, Angola, Liberia and Mozambique in Africa; Iraq, Kuwait, Lebanon and the Palestinian territories in the Middle East; Haiti, Nicaragua, Venezuela, Peru, Guatemala, Cuba and Mexico in Latin America; and Kosovo, Bosnia-Herzegovina, Macedonia and Slovakia in Europe. In all these places, various problems of governance have arisen simultaneously so that, in the worst cases, it has become difficult to maintain even the most basic levels of public order.

Democracy and governance

Concern about governance has not always been seen in terms of reaffirming democratic practice. During the 1960s and 1970s, early approaches to the subject of governance emphasized the “degree of government,” a term which refers to the possibility of, and capacity for, exercising power efficiently, rather than the “form of government,” understood as the existence of a democratic or dictatorial political regime. In some cases, democracy and governance have been treated as contradictory, with the argument that democratic practices, norms and forms make it more difficult to introduce economic, social and political reforms which affect powerful interest groups.

Nevertheless, history shows that this apparent contradiction between democracy and the effective exercise of power does not exist. On the contrary, popular participation, dialogue and consensus-building have proven indispensable to the efficient and effective exercise of power. Recent contributions on the subject of governance and good government

underscore the importance of democratic institutions. Modern democracy is conceived not only as an end in itself, but also as a means to achieve economic and social objectives.

As the concept of democratic governance has spread, the realm of its application has broadened. From a restricted conception of governmental efficiency in economic management, it has grown into a broader understanding which incorporates the capacity of the state, constituted under the rule of law, to integrate and lead society as a whole. Later, during the early 1990s, the concept of governance expanded still further, with greater emphasis on its democratic nature and attention to the processes of participation and consensus-building which occur in civil society, and which in turn make the state more representative so that government can better assume and carry out its basic functions.

At the same time, technological advances in telecommunications, information processing and the mass media have profoundly changed the way political power and authority are exercised, especially in the industrialized nations. New technologies have given citizens greater access to information which was once concentrated in the hands of government, electronic networks have given political leaders and organized groups of citizens new ways to communicate, and the spread of television has changed how elections are carried out and how governments and politicians manage their images. Such technological advances have changed the nature and workings of representative democracy in the industrialized world. They were also key to the disappearance of totalitarianism from eastern Europe and the former Soviet Union, and they are creating a more open and transparent climate for political activity in most developing countries.

Today, industrialized nations, developing nations and international organizations are finding that their concerns about governance and good government converge. Moreover, after the fall of the Berlin Wall and the end of the Cold War, these two issues are increasingly linked to the functioning of democracy and the full exercise of political liberties, and are being put to use in achieving economic and social development. In many ways and in a variety of situations, as one century gives way to another, humanity is exploring new ways to spread good government and democratic governance across the planet.

Governance and a fractured global order

The rapid and uneven processes of economic, environmental, cultural and technological globalization are leading to a **fractured global order**: an order which encompasses the entire planet, yet divides rather than integrates people; an order which puts most of the world's inhabitants in touch with each other but at the same time maintains deep divisions between them. In this new global order, governance problems which transcend national borders demand attention. Issues like reforming the international monetary system, regulating international financial flows, controlling pollution and global warming, mass migration and increased numbers of refugees, and many others all figure as governance problems which transcend individual states and demand international cooperation. Resolving them will eventually call for a willingness to sacrifice some sovereignty in issues traditionally controlled by individual states.

In this context, international organizations have grown increasingly important. During the mid-1980s, governance and good government became major concerns for international financial institutions, especially the World Bank and the Inter-American Development Bank; for the United Nations and regional political organizations like the Organization of American States, the Organization of African States and the North Atlantic Treaty Organization; and for nongovernmental organizations such as Amnesty International.

International financial institutions have emphasized efficiency and effectiveness in economic management, arguing that openness and the responsible exercise of public functions are key to economic performance. International political organizations have highlighted respect for human rights, the importance of democratic institutions, and avoiding armed conflict. Nongovernmental institutions have also focused on environmental protection and the rights of minorities and indigenous peoples.

Yet the growing power of international organizations does not mean that developing countries have no strategic and political options of their own, especially in economic and financial affairs. The conditions which the International Monetary Fund, the World Bank, the Inter-American Development Bank and other international financial institutions set

for access to credit are important reference points for the design and implementation of economic policies, but they are not as rigid as is often imagined. Within limits which are more flexible than they may appear, a government with technical capacity, a good negotiating strategy, and broad political support has ample room for maneuver and can modify the conditions set by the international organizations. At the same time, given the opening of the world's economy and financial globalization, the discipline imposed by international capital markets on governments' exchange policies may prove more important than the conditions set by the financial institutions.

Likewise, in issues like human rights, environmental rights and democratic practice, certain norms are winning increasing international acceptance and support. For example, institutions like the Organization of American States, the United Nations, and many nongovernmental entities now participate as electoral observers in a growing number of developing nations. Yet this trend does not rob these countries of their sovereignty or their autonomy in establishing electoral rules and procedures, always providing they adhere to the international practices accepted by most governments. Similarly, international organizations concerned with human rights and due process have acquired wide legitimacy and acceptance. The norms and procedures these organizations establish do not threaten national sovereignty, particularly given that governments themselves should be the first to insist on compliance and on guaranteeing respect for human rights and due process.

DEMOCRATIC GOVERNANCE AND GOOD GOVERNMENT IN PERU

The problems facing any effort to achieve democratic governance in Peru are ancient and deeply-rooted. The European conquest of the Inca empire, which laid the foundation for modern Peru, was a traumatic event which opened an enduring social chasm between the conquerors and the conquered. Throughout three centuries of colonial life, Peru was ruled by a social, economic and institutional order born of that original rupture. In its subsequent 180 years as a republic, Peru's enormous difficulties in building a socially, economically, politically and culturally integrated nation have become all too clear.

Accelerated social change

Over the past half century, the tempo of social change in Peru began to speed up. A series of crises, each begun at different times, converged in a multifaceted crisis of nearly cataclysmic proportions in the late 1980s and early 1990s. Its most pernicious manifestations were terrorist violence, hyperinflation and institutional breakdown. At the same time, the population explosion, massive rural-to-urban migration, and the appearance of regional movements in different parts of Peru shook the foundations of the state, overturning social structures which had prevailed for centuries. As a result of these processes, new actors arose to take their place on the national stage, demanding a place in the market (jobs, income and consumption) and a share of social benefits, education and political power. Another result has been a potent challenge to centralist habits and practices, and with it a new awareness that the problems of Peru's many different regions cannot be solved with a Lima-centered approach.

Taken together, the points listed above form what could be called, in very schematic terms, *the new presence of the poor* in Peru. As they demand a place to live, the new urban residents – emigrants from the countryside – are changing the face of the coastal cities, especially Lima, where a third of the nation's population now lives. To a certain extent, their presence democratizes the cities, significantly increasing the number of citizens conscious of their economic, social and political rights.

An important milestone in this process of accelerated change in Peruvian society was the reform program carried out after the late 1960s by the military government led by General Juan Velasco. Velasco's agrarian, industrial and educational reforms accelerated the process of social transformation which had begun in the 1950s with the crisis of the oligarchical state. The leaders of the military regime further challenged the old order's exclusive character and concentration of power and wealth.

The practical results of the Velasco reforms were far-reaching: peasant access to land ownership, the recognition of fundamental social rights, renewed respect for the Quechua language and Andean culture, the appearance of grassroots urban organizations – with new names like

“inhabitant” and “young town” replacing the derogatory old “squatter” and “slum” –, the development of self-managed communities like Villa El Salvador, and worker participation in the management and ownership of state-owned and private companies.

Nevertheless, the authoritarian, military nature of the Velasco regime prevented the autonomous institutionalization of these reforms. It hindered, in other words, their full acceptance by society as a whole, and at the same time blocked the expansion of the exercise of political rights. The unwieldy growth of the state as the basic agent of change was another result of the military government’s policies, and had negative effects on public finances.

In short, Peruvian society has experienced deep, radical and rapid transformations. The frameworks inherited from the colonial era and the conceptions linked to “criollo” mentality have been sharply challenged, and the concepts and paradigms which traditionally shaped how the nation sees itself have lost credibility. As a result of these structural and conceptual changes, the average citizen’s perception and understanding, of Peru’s new social context is partial, fragmented and distorted.

Democracy, economic crisis and violence

The return to representative democracy in the 1980s coincided with the appearance of Sendero Luminoso (the Shining Path), whose first violent act was to destroy ballot boxes, the instrument and symbol of democratic elections. Since then, daily violence has touched and shaken nearly every Peruvian, undermining their sense of personal security and emotional stability. Drug trafficking networks have also grown rapidly, bringing with them corruption, violence and economic distortion.

The democratic governments of the 1980s, led by Fernando Belaunde and Alan Garcia, had serious difficulties confronting the decade’s most important issues: economic crisis and political violence. Opposition political forces likewise found it difficult to propose constructive alternatives. As a result, the government’s impotence and the opposition’s weakness became clear.

Though mandated by the 1979 Constitution, the process of establishing new regional governments was carried out only haphazardly between 1989 and 1990. The problems in setting up these regional governments, and the poor performance of many of them during the two years which followed, created deep frustration nearly everywhere in Peru. Yet the vast majority of Peruvians consider decentralization indispensable to development and national integration. Indeed, in the view of the different regions outside Lima, centralism is synonymous with backwardness, poor resource allocation and deficient public management. *Without decentralization, Peru is not viable, it is ungovernable*, is a phrase which sums up the view from Peru's periphery.

The state's shortcomings and the extensive corruption of the spheres of power led to a "de facto privatization" of essential services like security and justice. This contributed to the instability of Peruvian democracy and to citizen disenchantment with the democratic regime, although citizens continued to value the elections and freedom of expression which are hallmarks of democracy.

Economic reform, authoritarianism and crisis of governance

Contradicting his campaign promises, Alberto Fujimori began his government in 1990 with a series of radical economic reforms grounded in a rationale which emphasizes impersonal market forces. The new free-market system demands of individuals an enormous capacity to meet the demands of an increasingly competitive society. Fujimori's economic policies successfully controlled the hyperinflation inherited from the Garcia administration, but at the cost of a profound recession and increased poverty. At the same time, the Fujimori government launched a counter-insurgency strategy which significantly reduced terrorist activity and led to the capture of Shining Path's leader, Abimael Guzman.

However, Fujimori's authoritarian behavior and political inexperience led him to resolve his difficulties with the parliamentary opposition through a military-backed "self-coup" in April 1992. This break in the constitutional order marked a return to the seesawing between authoritarian and democratic governments which so clearly embodies the crisis of

governance and good government plaguing Peru throughout most of its republican life. Nevertheless, Peruvians saw the government's successes against terrorism, particularly Guzman's capture, and hyperinflation as signs of efficiency, and rewarded Fujimori and his government with high marks. The President's approval rating reached 80% in April 1992 and remained at or above 65% for the rest of the year.

By contrast, in later years – and especially after his 1995 reelection – Fujimori's approval levels steadily declined as disenchantment with his government set in, and unemployment and corruption increased: citizens at large began to consider his continuing authoritarianism as unnecessary and counterproductive. Despite this, at the times when Fujimori was most active on the national stage – during the rescue of the hostages at the Japanese embassy residence and in the efforts to help those affected by the El Niño climatic phenomenon – presidential approval levels recovered significantly.

In the context of economic stagnation and generalized poverty which has marked Peru in recent years, the pressures of the new market rationale clash with the collective traditions of Peruvian society, particularly rural society. Peruvians are pushed in different directions at the same time: on the one hand, toward cooperative action in order to improve their chances of survival, and on the other, towards the individual activity which is seen as the key to success in the market. Though the tension between these forces has certainly found creative expressions, it has also deepened people's feelings of insecurity and anxiety.

In summary, the institutional framework of Peruvian society has proven unable to respond to the accelerated process of social change which has taken place in the past four decades. During this period, the old ways of exercising power and authority in the management of economic and social affairs collapsed, and Peru faced various crises of democratic governance and good government.

But this does not mean that authoritarianism is inevitable. Peru's history and current situation show tendencies toward both authoritarian and democratic behavior at all levels of society. One simply cannot say that there is an *authoritarian essence* at the heart of Peruvians' political

behavior. Whether the authoritarian or democratic tendency prevails and is consolidated will depend in large part on how the government exercises power and political authority, and on how the values and habits of social life are developed and inculcated at the basic levels of citizen socialization, the school and the family. Moreover, the creative, if fragile, responses to Peru's overwhelming social and economic problems show that the capacity and initiative exhibited by grassroots organizations and informal entrepreneurs might – if nurtured in a climate of broad democratic freedoms- provide a way out of the multi-dimensional crisis Peru has lived through during the closing decades of the 20th century.

SOCIAL DISINTEGRATION AND INSTITUTIONAL CRISIS

SOCIAL FRAGMENTATION

The early 1990s were marked by a constant feeling of insecurity, which partially manifested itself in the difficulty people faced in establishing lasting and trusting relationships and in acting together as a group. Though that feeling of insecurity has greatly diminished, most people continue to live in the short term, feeling *the future is tomorrow*. People find it difficult to participate in different forms of collective action and to identify with the social movements and institutions that such action might eventually build.

The old order seems to have disintegrated, but no replacement has been found. The country is deeply divided. The great migratory processes have built stages on which different actors and characters take their place: rich and poor, “pitucos” (wealthy whites) and “cholos” (urban mestizos and Indians), businessmen and workers, Limeños and provincials, the formal and informal sectors. It is a melting pot which gives the lie to the old saying about “each in his own place” because Peruvians have in effect changed places and altered their social relations and hierarchies in recent decades.

Peruvians’ difficulties in acting in a united fashion have their roots in multiple ruptures, both historical and recent. The most persistent of these ruptures is an ethno-social one. In Peru, the idea of a collective “us”

has racial connotations, and these connotations affect how Peruvians process various conflicts related to social origin: the conflicts of status, class, gender, culture and regional background. Even today, though provincials long isolated from the heart of “official” Peru live in the nation’s biggest cities and in the capital itself, and sweeping changes have ended the time when different groups could act as distinct societies, those who were once excluded still cannot share in political power and in building a new, truly Peruvian, cultural identity.

Economic crisis and violence

One potent force for disintegration, which has persisted so long that it is now a structural factor, is the economic crisis which peaked in the inflationary calamity of 1989-90. Hyperinflation worked as a solvent on the economy and society, generating such anxiety among Peruvians that they accepted highly recessive adjustment policies which, by increasing under- and unemployment and poverty, have only sharpened the process of social disintegration.

Peru’s erstwhile strategies for economic growth and accumulation based on raw material exports, import substitution, and foreign borrowing have collapsed. Yet the country has yet to establish a new model for accumulation which generates a surplus and allows it to meet the needs of its people while encouraging saving, productive investment and growth, and at the same time take care of foreign debt payments. Despite both orthodox and populist economic solutions, no government has managed to overcome this dilemma and, indeed, they have deepened it.

The economic reforms of the 1990s did not bring the rebirth of the social ties dissolved by economic crisis and hyperinflation, but have only fragmented social life still further. Liberalizing the market, opening foreign trade, reducing public spending, and privatizing state enterprises have significantly modified the structure of society and, among other effects, have increased inequalities in income distribution. At the same time, the government’s policies and rhetoric have emphasized individualism and individual behavior as the solution to economic problems, with all the cultural and affective consequences such a discourse implies. Added to

this, a large number of crises have provoked great uncertainty in the population at large: Peruvians feel the state has abandoned them.

In the late 1980s and early 1990s violence, especially terrorist violence, also lent impetus to this process of disintegration. One peculiarity of Peru's political violence was that it emerged, not from a social movement, but at the initiative of small radical organizations which developed and spread across the nation through the use of terror and armed struggle. The terrorist message found fertile soil in the poverty and neglect in which many Peruvians live, while exclusion and injustice served gave subversive groups the pretext for proposing the destruction of the state. By breaking what should be the state's monopoly on the legitimate use of violence, terrorism unmasked the Peruvian state's weakness. At the same time, it opened the risky practice of submitting entire regions to military control, with the potential for indiscriminate repression this entailed.

Political violence, which became an internal war, touched every Peruvian's life. Nearly 30,000 people died, while over 100,000 families were forced out of their homes by the violence. Peru's entire social structure was affected. Urban migration accelerated, creating a mass of refugees living in highly precarious conditions; large stretches of countryside have been abandoned and impoverished; and among the middle classes an enormous distrust has taken hold, much of it directed towards the democratic regime which seemed unable to confront Shining Path and the Tupac Amaru Revolutionary Movement during the 1980s. Military and police victories and success in the counterinsurgency gave the security forces a very special role in the country's pacification. But if the pacification process is to continue, new ways must be found to connect both institutions to the population, and they must leave behind the authoritarian practices whose pretext was the need to defeat subversion.

What should be done with this recent past of violence, terror and repression? The question is crucial for the future of Peru and the answer involves ethical, psychological and political considerations. Violence, threats and the use of force engender fear and eat away at the moral fiber of a society. The authoritarian solution which emerged has in no way guaranteed that the crimes and errors of the past will be avoided in future. If

Peruvians are to move from pacification to reconciliation, they must know the truth, and be aware of the horrors and excesses committed during the repression of subversion. Discovering the truth is essential for the moral, psychological and political health of Peru. It is not easy to achieve, however. There is a tension between the different values at stake, a tension which some have tried to resolve through granting impunity, instead of seeking justice and forgiveness.

Meanwhile the production, trafficking and consumption of illegal drugs – especially cocaine – has become a serious state concern. Drug trafficking and the war on drugs place a series of urgent and complicated demands on the state and civil society. The drug trade's violence, power to corrupt, its monopoly over the economic and social life of entire regions, and the extent of drug use among the young of all social sectors – these are just some of the many manifestations of this terrible national problem.

As economic crisis, political violence and drug trafficking converged in the late 1980s and early 1990s, society fell prey to widespread fear. The lower classes expressed this generalized fear as *the lack of jobs* or *the fear of being mistaken for a terrorist*, while the upper classes worried about *the economic crisis*, *the fear of falling victim to terrorist attack* and *the fear of being mugged by common criminals or drug addicts*. In recent years, fears have had more to do with the economic situation: job loss, bankruptcy or problems of citizen security, distrust of the police and delinquency. These fears bred suspicion and insecurity, led people to distrust politics and politicians, and sparked an overwhelming desire for order at any price. This need for order helps explain why controlling inflation and triumphing over terrorism became the key elements of the prestige enjoyed by the Fujimori administration during the 1990s.

In summary, Peru's problems of social, economic, political and cultural integration have been exacerbated by years of internal conflict, economic crisis, institutional breakdown, drugs trafficking and corruption. Any project for democratic stability must keep in mind the basic link between social peace and democracy, and must seek a transition from pacification to national reconciliation.

Fragmentation, individuality and informality

The impact of the economic crisis and terrorism broke Peruvian social life down into the shape of an archipelago. In an already poorly integrated nation, divisions deepened between the provinces and metropolitan Lima, between the countryside and the city, between shantytowns and suburban neighborhoods, between regions which could be visited and the war-torn emergency zones. What little common ground had existed shrank and even disappeared. As a result of the fragmentation of social life, general fears disguised themselves as *achoramiento* (thuggish behavior) among the poor and renewed arrogance among the well-to-do. Arrogance and *achoramiento* have thus become survival techniques during Peru's current crisis, as well as ways of interacting, but above all they are a reaction to the overwhelming uncertainty of a Peru in which *the future is tomorrow*.

One result of the disintegration of social life by violence, hyperinflation, and the impact of the economic reforms is that people experience the process of individuation more as an isolation of the self from others than as an affirmation of autonomy within a social setting. This attitude is particularly strong among the young. In metropolitan Lima, the majority of young adults say life gives a better deal to *who fight on their own to get ahead*. In the rest of Peru, an even higher percentage of young adults say they belong to no social organization or group, including sports or artistic groups. In extreme cases, especially among Lima's youth, this individualistic outlook on life can lead to an *every man for himself* attitude, in which concern for the impact of one's actions on others disappears. *It's not my problem*, seems to be the attitude among many youth.

Times of crisis, which force people to act almost exclusively on their own to benefit themselves and their closest relatives, tend to break down the ties of community and solidarity. Those who choose to enter the informal sector – mostly poor producers and retailers who sell to the rural and urban poor – can survive, but often just barely. The informal sector and urban small and “micro” businesses (“microempresas”) have grown spectacularly in recent years, bearing witness to an exceptional degree of vitality and creativity among the social sectors hit hardest by the

economic crisis. As a result, and because of the informal sector's importance in the national economy, some prefer to call it the *popular economic sector*, since informality is frequently and perjoratively associated with illegality.

At least one third of the working population – over 2 million people – is self-employed. Though it is very difficult to distinguish clearly between self-employment and “micro” businesses, overall this sector's capacity to generate jobs and income shows a dynamism which exceeds mere survival strategies. Currently, small and “micro” businesses are the source of around three-quarters of all jobs, even though the productivity levels and overall quality of such employment are very low. Not including street vendors, who are self-employed in the strictest sense, there are many more informal wage earners than small and “micro” entrepreneurs, but their income is much less. If small and “micro” businesses are to grow beyond their current role as *shock absorbers for the crisis* and stop being, as they often are, *a form of self-exploitation*, the quality of the employment and income they provide must be improved with technological upgrades, increased productivity and improved working conditions. In this task, financial institutions and the state can provide significant support.

Though they may be exceptions, the success stories in informal production and sales constitute a minority which has accumulated enough capital to enter the modern economy. Seen in terms of social integration, such successes represent a potential for leadership among both survival organizations and associations of small and medium-sized producers and informal merchants. Although badly hit by economic crisis, the informal sector's creativity and capacity for cooperation (seen in industries such as leather in Trujillo, garment-making in the Gamarra section of Lima, metal-working in the northern cone of Lima, handcrafts in Piura and textiles in Huancayo) demonstrate its potential to inject new vigor into the national economy. Thus, for some sectors of Peruvian society, entering the market economy via informality is now seen less as a mere survival strategy and more as *the path of hope*.

But the individual managing by him or herself in the informal world does not usually act collectively as a member of an organization. One

notable exception to this is the activity of some nongovernmental small business support groups, such as the Consortium to Support Small and Medium Business (Copeme) and the Institute for the Development of the Informal Sector (Idesi). Also noteworthy are the Association of Small and Medium-sized Businesses (Apemipe) and the National Confederation of Institutions representing Rural and Urban "Micro" and Small Business (Conperu). These organizations make it possible to propose shared initiatives based on common interests. Such outlets for collective action are preconditions for the development of social movements, which would in turn make it possible to rebuild and institutionalize the social fabric left ragged by the many crises which have wracked Peru in recent years.

Still, in this context of incipient organization and the struggle to survive, tendencies towards disintegration and social fragmentation are still evident. These tendencies breed behavior foreign to the basic norms of social life (one dramatic example is the "combis" which provide urban transport) and turn shared spaces into areas in which *anything goes* and *the law of the jungle* reigns. Individuals find it difficult to identify themselves as part of a world of social actors whose behavior is defined and stable. Thus, their political behavior ranges from spontaneous opposition to almost unconditional support for a charismatic leader. They easily become part of the social support for authoritarian schemes or, at the very least, feel no need for a stable democratic regime.

New forms and processes of social integration, based on relationships of need and solidarity, are arising in the shape of associations of small and medium-sized producers and merchants seeking to enter the market, and organizations for security or food distribution which seek to meet the most immediate challenges of survival. But in a context of economic crisis, though it is now beginning to subside, these new forms of integration, dynamic as they are, still confront serious barriers to building a solid base which allows them to grow, institutionalize, and reproduce throughout society as a whole. Reweaving the social fabric, the basis for any project for democratic governance and a necessary precondition for good government, will depend on these new and still nascent processes of social integration.

THE INSTITUTIONAL CRISIS

Such difficulties in the social integration of groups and individuals also seriously affect institutions, which can be defined as entities with a stable organization and regular patterns of interaction between their parts and which act according to established norms. Most Peruvian institutions have been unable to function as such. Organizational deterioration, hamstrung processes of social interaction, and the questioning of established norms have led to an institutional crisis without precedents in this century.

Institutional capacity and social demands

This crisis is also a result of the **gap between the institutions' capacity to organize and respond to people's economic, social and political demands, and the multiplication of these demands in recent decades due to rapid population growth and increased popular unwillingness to tolerate injustice.** The explosion of social demands swamped the capacities of the central government, the legislature, the judicial system, the political parties, private enterprise, labor unions, and many other bodies which would normally process and respond to such demands.

The vacuum left by the institutional crisis bred demands for a solution and rejection of existing but ineffective institutions. It has become common to distrust the state's ability and effectiveness in solving basic social problems other than pacification and hyperinflation. Nevertheless, broad sectors of the population oppose the state's withdrawal from areas considered priorities, such as the provision of basic social services. Many say, for example, that *in a poor country like Peru the state can't be a bystander* although they also accept limits to state intervention, saying *the state shouldn't be a meddler either*. This vision is shared by all sectors of society. In interviews with young people at the poorest levels, we found a concept of development closely linked to state social policy, particularly in the areas of child nutrition, education and health.

Around half of the inhabitants of metropolitan Lima believe the state's chief obligations are *to support education* and *to support the poor-*

est families. The latter is repeated in the provinces, where people also stress that the state's task is also *to support education.* Moreover, a large proportion of Peruvians who live outside metropolitan Lima believe that *it is the state's obligation to guide and promote national economic development.* In the provinces one hears people say, *Peru is so poor that everything is a priority. The state can't ignore its obligations in areas like health, hunger, education and promoting development in the provinces.*

Nationwide there is a clear rejection of the state's withdrawal from tasks like energy generation and highway construction, which are not profitable for private enterprise but which are indispensable preconditions for development and modernization. Without these basic conditions, it is impossible to create *a competitive market outside of Lima.* State agencies are seen as *irreplaceable in promoting development throughout the nation.* Moreover, *the state is not present where it ought to be, that is, in the poorest regions of Peru.* To have an impact in those regions, *the state apparatus (needs to be) reinvigorated in technical and administrative terms.* Demands for a greater state presence in the country's interior are also expressed as *the need for development planning, because without planning there's only improvisation.* These demands in turn translate into a need to recover the strategic planning capacity of the central and local governments, so that they can establish investment priorities and map out medium- and long-term development programs.

The fact that the formal legal system does not function, functions only partially, or has been utterly destroyed is another manifestation of the institutional crisis. Because the legal system is inefficient, citizens do not believe in it, and instead seek alternative channels to institutionalize their interactions. As stable forms of organization, these channels are still very weak and their social legitimacy remains incipient (for example, in their spheres of influence the peasant "rondas" still enjoy only a precarious legitimacy, while arbitration mechanisms to resolve business conflicts are advancing slowly.)

Peruvians particularly reject **political institutions**, especially those linked to lawmaking and the administration of justice: the parliament, the judiciary and the national police. The political parties known as "traditional" come in for particular venom. The parties occupy last place in the

list of institutions enjoying the public trust while the judiciary does only slightly better, with 6.2% and 6.6%. A primary cause of this repudiation is corruption, which the public identifies as a hallmark of the exercise of political power in Peru. This does not imply, however, a rejection of all authority or normative activity: the executive branch, and in particular the President, enjoy prestige and are associated in the public's mind with order and responsibility. Whether things go well or badly, the responsibility lies with *Mr. Government* (the President), who supposedly has decision-making power over practically everything. Often, rejection of political institutions is linked to a demand for the institutionalization of the country through an efficient, democratic and participative system.

Social institutions fare unevenly. The Catholic Church remains a very important moral compass and nationwide enjoys more trust than any other institution. This is largely because the Church chose an opportune moment to distance itself from the old order, with its exclusive exercise of political power, and also because of its ongoing work with the poor (the Archdiocese of Cusco, for instance, supports 1,800 soup kitchens).

Popular organizations which were once powerful – such as the labor unions during the 1970s – have languished, finding it difficult to redefine their objectives or hold onto their social bases. Their political influence has become an occasional and circumstantial phenomenon. Neighborhood organizations, on the other hand, especially subsistence ones like the “People’s Kitchens” and the “Glass of Milk” program, receive a significant degree of popular trust, especially in Lima. Only the Catholic Church enjoys greater prestige and credibility.

Citizenship and institutionality

Formal institutionality collapsed, to a large extent, because it was not constituted in a way that allowed it to satisfy Peruvians' demands and aspirations of becoming citizens. This is not a problem simply of numbers and size: formal institutions have been unable to respond to the needs of all the new citizens, not only because they are many and demand their rights with greater vigor, but also because the new citizens' ethnic and social backgrounds are different from that of the elite. Those who have

exercised political and economic power have yet to recognize the need to share rights and duties within a single political community.

Thus, most Peruvians have been unable to fully exercise their citizenship. There are powerful historical reasons for this, since the political regimes set up throughout Peru's life as a republic have excluded broad sectors of the population. The basic condition for the exercise of citizenship – being accepted as a full member of the community, with rights and duties – does not exist. *I have a right to the same rights as you* is a widespread demand. The exclusion of vast sectors of the population outside Lima sparks strong reactions among provincial leaders: *It's true that there are lots of illiterates out in the countryside, but those government leaders who can't understand the reality of Peru are even more illiterate.* This exclusion has frustrated and warped citizen development: citizenship means demanding rights, but not carrying out duties. What's more, citizens don't really even know what rights they can demand or what duties they should carry out.

If one cannot fully exercise citizenship, one loses the vocation for public service. Politics expresses itself more through confrontation than dialogue, and political participation wavers between, at one extreme, a cult-like sense of belonging, and at the other, a simple instrumentalization in the pursuit of individual or group interests. In the provinces, as in the capital, *the country's political life has been hyperideological, which is something we have to get over.* Under these conditions, citizen participation in local government, particularly in the municipalities, assumes increasing importance. *We can only attack the problem of democratic governance at a local level, because it's there that real consensus can be achieved.* Peru therefore needs to develop political power at the local level, especially in municipal boroughs, in order for the decentralization and deconcentration of power to be truly effective. *This process will doubtless be slower, but it will also be surer.*

Amid this difficult process of building citizenship, a new and precarious "institutionality" is arising in the provinces and in metropolitan Lima, where government agencies have proven unable to carry out their objectives and functions, and where new problems demanding solution have arisen. An example of this are the programs which help people dis-

placed by political violence return to their homelands, many of which are still under a state of emergency. These programs' incipient "institutionality" does not necessarily have a legal basis, while formal institutions in the emergency zones (the judiciary, local governments and the military commands) do. This unequal footing only accentuates the precarious nature of the former.

Precarious though they are, these new institutions help large sectors of the Peruvian population meet their basic needs. At a time when the state has cut social programs and the market has yet to exist for, much less benefit, the poorest Peruvians or the most depressed regions, these new institutions play a crucial role.

Some argue, however, that though society gains from the efficient way in which these alternatives confront certain problems, it loses in terms of the search for a permanent and common institutional framework. If seen exclusively in competition with traditional institutions, these new institutional forms do not help reform or revitalize the former, nor do they themselves become new, legitimate and true institutions.

As a result, some Peruvians emphasize the need to reform traditional institutions, ignoring the vigor of these novel forms of social organization, and instead associating them with disorder and decay. Others believe that the new organizations are, in fact, the only thing which is keeping society functioning today, and that they should form the basis for its development. No one, of course, proposes maintaining the status quo.

It is clear, however, that the new has yet to solidify into institutionality, and its future cannot be understood without regard for formal, traditional institutions. The latter have lost prestige (and those currently in power have helped undermine them) and still seem unable to embark on a path of self-reform, a path which would bring them into creative contact with the new and precarious "institutionality" arising, somewhat tumultuously, from society itself

DEMOCRATIZATION, MODERNIZATION AND LEGITIMATION

Moving towards democratic governance and good government demands attention to three fundamental and closely interrelated processes: one which builds equality in social relations, a second which develops productive activity and expands markets, and a third which leads to a society with institutions it recognizes and accepts as its own. The first process occurs largely in the realm of civil society; the second deals with the economy and the market; and the third lies principally in the hands of the state. Each process affects the progress of the others and is in fact expressed through them, and the result is a set of tightly interwoven social processes that affect the potential for the growth and fulfillment of democratic governance. The three processes imply advancing towards social democratization, productive modernization, and institutional legitimation.

DEMOCRATIZATION AND CIVIL SOCIETY

From a legal standpoint, democracy is a form of government in which those who govern are periodically elected by the governed, and in which every person is equal before the law. This legal framework, however, neither fully expresses nor guarantees democracy, which is not only a formal political regime with a set of defined ground rules for acceding to political power, but also a way of life for society as a whole. From this perspective, Peru is far from having all the characteristics of a country governed in democracy.

For a society to govern itself fully in democracy, social actors must participate in the work of government at every level, and feel they are part of that work. Fundamental individual and collective rights must be respected and there must be formal fora in which to demand and enforce them. Government leaders must be aware of the people's basic needs and must seek to meet them, always respecting the institutional framework of democracy. A plurality of cultural identities must be respected within a broad but shared cultural orientation: *we are all democracy*. For a democratic regime to be viable, its leaders must also be seen as representative and legitimate.

The heart of social democratization lies in measures to reduce extreme inequalities, which create exclusions that are incompatible with democracy; in respect for human rights; in the provision of social services; in the relationship between democratization, equality and the market; and in the development of civil society, the fabric of social interaction from which democratic institutions are sewn. Each of these factors will be examined briefly below.

Inequality and democratization

Democracy requires processes which allow citizens to relate as equals with the same opportunities and the same rights and which guarantee the integration and participation of sectors historically marginalized from the country's civic, social, economic and political life. Reducing extreme inequalities is a key prerequisite for democracy. But inequality in Peru is extreme, a far cry from the "reasonable level" associated with modern democracies, where inequalities stimulate personal effort while maintaining social cohesion. From this perspective, **democratization is the process by which extreme inequalities are eliminated.**

A crucial turning point in Peru's democratization occurred through the reduction of inequality which resulted from the integration of Andean people into urban society. Paradoxically, this integration accelerated during the military government led by General Juan Velasco, which launched what could be called *the greatest process of democratization without democracy* ever seen in Peru.

What many see as the *ungovernability of Peru today* results from the tension between two opposing forces: on the one hand, limited institutional capacity to meet the demands of all the new social actors, and on the other, a *social democratization from below* which extends and multiplies these demands. To ensure democratic governance and good government, the state must be able to manage this tension, which implies that it must have access to the financial, organizational and legal resources needed to administer the reasonable levels of inequality inherent to all democracies. This is not the case in Peru where, moreover, the process of reducing inequality runs up against the obstacles of racism, poverty, gender discrimination and centralization, all heightened by unequal access to education and other social services.

Racism. Racism implies, fundamentally, **not recognizing the “other” as an equal** and engaging in discrimination based on ethno-social differences. Racism is closely linked to low self-esteem in marginalized groups: and it becomes an obstacle to their individual and collective development. Until this particular problem of equality is resolved, it will be difficult to tackle the problem of diversity, or to value Peru’s historical ethnic, racial and cultural heterogeneity.

Racism in Peru today has a contradictory and highly controversial face, because society finds it very difficult to explicitly recognize racism as a problem. Racial stereotypes tend to be hidden, cloaking themselves in socioeconomic issues, so that discrimination appears less a question of belonging to a given ethnic group than of *being poor, living in [the up-scale neighborhood of] Miraflores, or being from the provinces*. Nationwide, the vast majority agree that in Peru people are not treated as equals. But very few attribute this behavior to racial differences. In Peru today, *money and education make you white*, and the majority of the population explicitly believes that race is no longer an important or insurmountable obstacle to social integration. Moreover, when institutions demonstrate racist attitudes, there are today more energetic protests against them.

Yet Peru is a racially fragmented nation, in whose history the Spanish conquest opened what could be called a “geological fault line” which remains to this day. As a result, to develop a democratic culture Peruvians must begin by learning to value our ethnic, cultural and even linguistic

diversity and recognizing our equality as human beings, without discrimination according to ethnic or racial origin.

Poverty. Inequality, however, is not exclusively racial. Economic and social distinctions are so great that Peruvians find it difficult to feel they belong to a single community with a common destiny. Successive economic crises since the mid-1970s have plunged enormous sectors of the population into extreme poverty. For the first time in recent history, in the year 2000, half of all Peruvians had been living below the poverty line for a full ten years, while two-thirds of the population of working age had been unemployed or underemployed during that period. All sectors of society are demanding the creation of jobs, a social policy that places emphasis on education and health and firm action to reduce levels of poverty. But Peruvians are not demanding assistentialist policies: they would prefer wealth-creation policies that would encourage the private sector to create jobs. In the provinces and the poorest areas of metropolitan Lima, however, people think the responsibility for creating employment falls on the state.

The fact that half of Peruvian households are below the poverty line means that around **13 million Peruvians cannot cover their basic food, health and transportation needs**. Worse still, around 15% of all Peruvians live in extreme poverty, unable to meet even their basic nutritional requirements. This situation becomes even more dramatic outside of Lima: *when peasant women no longer ask pharmacists for pills so their children don't feel hunger - that will be the day when we can think of Peru as democratic and governable.*

Currently, the response to this dilemma is usually the affirmation -which official discourse presents as “modernizing” – that being able to compete in a free market gives everyone equal opportunities. In fact, Peru still has a long way to go before such equality is a reality. Democracy in Peru, then, is not only a problem of equality before the law, it is also a problem of equal opportunity. This “market” perspective on poverty is complemented with handouts in which central government, particularly in the figure of the President, appears to distribute gifts to the neediest. Democracy cannot be a matter of gaining access to government charity.

Gender. A third difficulty to overcome in order to democratize Peruvian society is inequality between men and women, or gender inequality, a subject rarely discussed as an explicit problem of democracy or democratic governance. As with racism, gender discrimination has a negative impact on self-esteem and leads to self-marginalization. Women exercising public power and authority in Peru continue to be an exception, and are found largely at the local level.

Among the nation's impoverished majority, however, women are in charge of resolving the problems of family subsistence, mainly through their own efforts and by participating in organizations like the "People's Kitchens," mothers' clubs and the "Glass of Milk" program. This generates a clear contradiction: each family's private reality revolves around the woman, but the public model of power and authority is masculine. Peruvian society may be basically matriarchal, but it is also profoundly "machista."

In a "machista" society, women's participation in politics is scorned. Women may represent women, but since it is unthinkable that they might represent society as a whole, they can hardly take on leadership roles presumably reserved for men. Women thus exercise leadership in a ghetto: women usually speak only for women and they do not represent everyone, a situation which does not help resolve and may in fact deepen problems of gender inequality. Certainly the feminine stereotypes presented in the media, especially in commercials and soap operas, do nothing to help overcome these problems.

By the end of the 1990s, women were playing a somewhat more prominent role in some areas of political activity – particularly in Congress and local government. Yet this participation was still extremely incipient. It is hoped that measures such as the quota law for parliamentary lists will help consolidate women's participation, but there is also concern about possible political manipulation of this demand. The improvisation surrounding the creation of the Ministry for Women in the second half of the 1990s was a clear example of a distorted response to the demand for greater participation by women in political power.

Centralism. A fourth barrier to equality is centralism. The concentration of power in Lima has been a constant throughout the history of the

Peruvian political system, an impediment to a more just and equitable distribution of political power. Centralism has not only characterized the ties between the different levels of government (central, regional and local), it has also characterized relations between the organizations of civil society, and the latter's relations with the state. Centralism both resists and rejects Peru's diversity.

The failure of efforts to overcome centralism can largely be explained by the attitudes of those who have exercised and continue to exercise power and political authority in Peru: their behavior has reinforced the habits of centralist and authoritarian government. The result of this tension between the central government in Lima and the citizens of the rest of the country is that, from the perspective of the provinces, Peru is ungovernable under current conditions.

This conflictive relationship does not mean, however, that regional and local governments reject or consider unnecessary the central government's support, especially in terms of financial and institutional resources. On the contrary, as mentioned above, people in the provinces consider it crucial that the government participate in promoting economic activity in regions with no obvious attraction for private investment. Often the only hope for progress in such areas lies in the financing, services and infrastructure offered by government agencies.

The problems associated with decentralization have not lessened demands for regional autonomy among the departments, provinces and cities of Peru. In the provinces, people still push for effective decentralization, with a distribution of political decision-making and of government responsibilities, planning, action and administration of resources. Nevertheless, many distrust the central government's promises in this regard, seeing them as part of a plan to carry out *centralist decentralization*.

Human rights and social rights

In the effort to eliminate extreme inequalities and build full citizenship, not only in its political and civil aspects, but also in its social and economic aspects, respect for fundamental **human rights** plays an important role.

The grave human rights violations committed in Peru in the past 14 years by both subversive groups and the state make solving this problem especially urgent. First in the context of subversion, and more recently in connection with the emergency laws against common crime, the manipulation of the judiciary and the public prosecutor's office and the threats to freedom of expression, human rights is an issue that still requires attention. Defending everyone's right to life, without distinction – with no partisan political utilization of the issue – marks a decisive starting point for educating the public about basic citizens' rights including freedom of speech, organization and the freedom from arbitrary arrest.

During the 1990s, human rights issues came up only in the wake of flagrant violations: even in such cases, the government tried to evade the responsibility that falls on the state. There has been no readiness to treat human rights as a matter of good governance and an integral part of the process of social democratization. There have been no systematic campaigns to disseminate the importance of respect for human rights as the basis for civilized co-existence. On the contrary, towards the end of the 1990s, it became clear that government intended to manipulate citizen perceptions of the demands by civil society organizations that human rights should be guaranteed. The government's desire to restrict the way in which Peru applies the commitments to human rights it has acquired also became evident: the Fujimori government began to ignore or reject the internationally accepted norms and procedures that guarantee due process and the full exercise of the individual's civil rights.

Beyond their merely formal recognition, human rights constitute a fundamental issue of democratic governance and good government with regard to the administration of justice, civil-military relations, the exercise of state power and, because of universal concern about them, Peru's relations with international organizations and other countries. Only a population conscious of its rights and duties – above all regarding fundamental human rights – and of the institutional frameworks necessary for their respect can fully exercise its citizenship.

Gravely deepening the extreme inequalities mentioned above is the loss of **social and cultural rights** by the majority of Peruvians, especially the right to social welfare. Almost half the population believes a key

characteristic of democracy is that *everyone should have enough income for food, health and education*. As a characteristic of democracy, this factor came in second place in polls both in the provinces, where the number one issue was *periodic elections* and in Lima, where the democratic characteristic most often named was *freedom of the press*. Thus, access to education and health, as well as the quality of these public services, is an indicator of a society's degree of development and democratization.

A significant majority of Peruvians sees education as the most important medium of integration and social progress. Yet the expansion of educational services which occurred during the 1960s and 1970s has stagnated and even declined. Currently, education in Peru is plagued by serious problems, such as high dropout and repeat rates and the low quality of teaching. Moreover, salaries in education have fallen considerably and teachers' living standards and working conditions have declined accordingly. The government has emphasized investment in infrastructure and capital goods rather than in human resources.

Such difficulties come on top of the structural problems of Peruvian education. For instance, the profoundly centralized educational administration has never taken into account Peru's cultural, linguistic, geographic and even climatic diversity (curricula are the same for both Lima and the different regions). Poorly nourished students do not meet the minimum requirements for physical and emotional stability which would allow them to take full advantage of their schooling. Many Peruvians believe *we are educating in and for inequality*, and emphasize the need for *an education which promotes equality, solidarity and participation, as well as a culture of honesty*. At the same time, despite the importance of promoting equality and solidarity, Peru also needs curricula which highlight and teach the value of cultural, ethnic and geographic differences, and which take into account the differing needs of groups in different parts of the country.

Another serious social problem is that a significant percentage of the Peruvian population lacks access to basic health services, despite recent initiatives such as insurance for schoolchildren and university stu-

dents. Lacking broad and systematic programs of prevention and protection, the limited services which exist are oriented towards treating, rather than preventing, disease.

During the 1980s and the start of the 1990s, the largest service provider was the Ministry of Health, followed by the non-public sector, the Peruvian Social Security Institute (today known as EsSalud), and the Armed Forces. Despite the state's responsibility in this sector, roughly a quarter of the population which the Ministry of Health should attend receives no coverage at all. Services are also highly concentrated: the vast majority of health professionals work in Lima and Callao. While Lima has an average of one doctor per 580 inhabitants, Huancavelica and Amazonas have, on average, only one doctor per 31,000.

The Peruvian public sector's difficulties in recent years (low salaries, loss of qualified personnel, budget cuts, lack of planning and programs), have made the state's provision of basic social services, especially health services, more unreliable than ever. It is important to point out that *the great majority of health problems in Peru are not really the exclusive responsibility of the health sector*, but call for participation by different government agencies. Prevention and vaccination programs must be complemented with, for instance, educational programs which teach good nutrition, efforts to provide adequate housing, and investments in water and sewage systems. This implies both greater cooperation between different sectors, agencies and levels of public administration, and a long-term public health development policy. All this is difficult in a country which had nine ministers of health in nine years and which spends only 1.2% of its GDP on health.

It is important to highlight that in emergencies – such as the 1991 cholera epidemic, the high incidence of intestinal infection and infant dehydration each summer and during the phenomenon of El Niño – grassroots organizations have managed to efficiently provide minimal preventive health services, with help from the state. Nevertheless, the fact that a *“life-saving kit” of rehydration salts costs only a few cents*, thus allowing the impact of epidemics of intestinal illnesses such as cholera to be limited, *should not make us forget the need to invest hundreds of millions in projects to bring drinking water and sewage services to the majority of Peruvians.*

This is the only way to eliminate the risk of intestinal illnesses that affect, in the main, children.

Along with highlighting the importance of grassroots organizations, this success has demonstrated the need to involve the community – especially women- in designing and implementing basic strategies and programs to improve family and children's health. For example, the promoters of the "Glass of Milk" committees also attend cases of diarrhea and dehydration, sometimes at the request of the Ministry of Health, a service which has proven very effective in emergency situations. Clearly, it is possible to articulate the state with grassroots organizations in order to provide basic social services. Nevertheless, there are almost no specific programs designed to provide people with greater knowledge and technical skills, or to institutionalize community participation in providing health services.

Democratization, equalization and the market

A serious obstacle to democratization lies in widespread notions which reduce equality, citizen participation, and thus democracy itself to a question of market competition. The assumption that equality is an affair of the market, of the laws of supply and demand, implies the existence of equal opportunity and markets with national dimensions and the capacity to integrate. These conditions do not exist in Peru.

Overcoming Peru's extreme inequalities is a job for society and the state, one which cannot be left exclusively to market forces, especially since the market neither includes the majority of Peruvians nor covers the entire national territory. Two dimensions characterize the modernizing discourse which presents equality as an issue belonging exclusively to the domain of market competition: the absolute primacy of the individual and the equation of modernity with consumption and possessions.

The structures of a modern market economy call for far more than the mere individualistic strategy of economic insertion which, in a context of scarce jobs, becomes a survival mechanism. Under these circumstances, individuals have little hope of finding an appropriate niche in the division of labor and thereby affirming their own personality and creative potential.

In order to install a modern productive system with long-term potential, the market must function within a framework of social relations which go beyond the kind of individualism that seeks the greatest possible advantages and benefits in the very short term, regardless of the consequences for others. Trust, cooperation, equity, adequate conflict resolution, fulfilling obligations and other aspects of social relations are necessary to the functioning of a market economy which can build an efficient productive system able to sustain itself in the medium and long term.

History has shown that modernization and the market economy can free the individual creativity and initiative which are hallmarks of western civilization. But in Peru today popular support for modernization and the market economy seem to rise more from a desire to identify with the symbols of modernity than from a conscious decision to participate in the process of modernization, with all its attendant implications.

The consumer aspirations associated with the symbols and idea of the market – created and transmitted by advertising and the media – may make possible a *democracy of illusions*, in which everyone is equal because they have the same illusions, not because they have the same opportunities. Radio and television have created a simultaneous Peru, which facilitates the rapid circulation of symbols and images associated with the market, and particularly with the consumption of products available to only a small segment of the population.

Defining equality exclusively in terms of individual competition in the market and identifying the market with civil society restrict the process of democratization in Peruvian society. In addition to allowing individuals to develop to their utmost, democratization implies their active participation in organizations and other collective subjects. It is worth noting that these collective processes in no way contradict processes of individual personal affirmation. A clear example of this is women's participation in people's kitchens, where collective action in the organization blends with individual participation according to each woman's particular needs.

Civil society is not the sum of atomized individuals nor of productive agents taken individually. In other words, it is not the market. Be-

cause the market is fundamentally an arena for competition over benefits and therefore a realm of inequality, identifying civil society with the market makes it difficult to develop ideas of the common good and the general interest, both of which are key to reducing extreme inequality.

Civil society in Peru

Making democracy function effectively is a task for society as a whole, and not simply for the country's formal political structure. When traditional social structures and hierarchies break down, society rebuilds itself through action from its own bases and often *in spite of the state* (paradoxically, from a civil society perspective this process could be considered profoundly democratic).

In the Peru of the 1990s, governance seemed to be rebuilding itself from below, in the population, which generated its own spaces and structures to resolve the problems of good government, at least in realms that affect people immediately and directly. These alternative spaces include participation in local government, social service organizations, neighborhood organizations, survival organizations (such as food and nutrition networks), and alternative forms of conflict resolution and justice.

This new social dynamic becomes especially clear during emergency situations; when hunger, unemployment and violence threaten; and when outside the capital regional awareness materializes in initiatives to promote local interests. Little is expected of the state, so that there is a bottom-up regeneration of civil society which, neglected by state institutions, begins to formulate demands and find its own solutions.

Civil society is the domain of voluntary human associations, that is, those not resulting from coercion, and it is made up of the organizational networks which occupy this space. Civil society is the field of social interaction which lies in the open space separating the state from strictly economic activities. It is made up of diverse forms of association – which range from intimate ties (especially the family) to forms of public communication, and include voluntary associations and social movements – in which a democratic culture and modes of concerted action based on consensus can be generated.

Family and youth. In the intimate realm of the **family**, there are contradictions and shortcomings in the exercise of authority. One manifestation of this is the absence of the father, a phenomenon currently reaching alarming levels, especially in low-income households. Authority is presumably masculine, but it is not present, and the person who in fact exercises authority, the woman, is not socially recognized as the primary authority figure. Indeed, faced with paternal desertion, *some families go so far as to declare the father dead even if he's not*, perhaps in an effort to maintain the illusion of a figure of paternal authority which would otherwise be damaged by the father's desertion.

This discrepancy, in which women exercise family authority but are practically nonexistent in the country's formal power structure, generates tensions in the young, who find it difficult to reconcile the female authority at home (even if she adopts a masculine role) with the clearly masculine authority in public life. Especially in middle- and low-income sectors, this incongruity can lead the young to question norms of behavior and respect for public authority, since these norms are established through an exercise of power different from the predominantly feminine exercise of power at home.

Around the country, people's observations about the Peruvian family reveal the complexity of its problems: *Families don't work as a group; instead the father (when there is one) decides, the mother filters, the child obeys. It's terrible to see the children of an unknown father; children have a right to a name. Family relations have changed and different kinds of Peruvian families coexist – for example, many women are heads of household, families are practically small businesses in which all the members work – yet there's a terrible lack of services adapted to this diversity in Peruvian families.*

As a result of the crisis of the family, which is part of the process of social disintegration described above, Peruvian **youth** have a difficult time internalizing social norms and relating to authority. In the family, the basic unit of social life, Peruvians experience on a daily basis the schism between the real Peru and the formal Peru, creating basic problems in attitudes and behavior which make it difficult to expand democratic culture.

Families largely dedicate themselves to day-to-day survival, so they can hardly provide their members with medium- or long-term perspectives. As a result, the opinions of the young urban *children of cement* express a contradiction between the need to join together to defend the rights of each and all in the medium term, versus the possibility of *getting ahead in life by fighting on your own*. The latter means adopting a reactive, short-term and even selfish approach to problem-solving. There is a clear tension between extreme individualism and appreciation for the advantages of acting in solidarity. Though each feels he must *play his own game*, the game has no clearly-established rules. This translates into difficulties in reaching agreements and mutually acceptable rules for coexistence in youth organizations.

The youth of the turn of the century show a high degree of independence, which often manifests itself as indifference to traditional forms of political association identified with older generations. In the final analysis, the young don't seem to care much who is in power or authority, and may find it easy to identify with authoritarian forms of political power. At the same time, the young are the sector which is most optimistic about Peru's future, a fact to keep in mind given their weight in national life: some 55% of the national population is under the age of 24.

At the same time, the lack of any hope for progress has led the young to abandon the countryside, especially the Andean region, a trend heightened by political violence in recent years. If this displacement of the young is not reversed, human capital for development in the country's rural zones may be irretrievably lost.

Social movements. During the 1970s, the voluntary associations and social movements which make up civil society were basically popular ones. Social organizations, especially labor unions and neighborhood associations, acted in a demand-based and defensive fashion, without pushing to democratize society as a whole or develop political democracy.

During that decade, the popular organizations' struggle for democracy had, overall, a utilitarian nature: they sought democratic freedoms in order to have better conditions under which to demand their rights. In

fact, except at the base level, it is difficult to speak of democratic behavior within the popular organizations themselves, which worked in “caudillo” style and were dominated by small groups of leaders.

The insistence on the purely popular nature of civil society during the 1970s denied it the plurality of a democratic civil society, which should include all citizens, with their different perspectives and interests. At the same time, popular movements and voluntary associations faced a series of barriers to institutionalizing themselves and winning legal recognition, which weakened their presence in civil society. The great social movements of the 1970s – regional, labor, peasant and student movements – have given way to a variety of organizational forms which seek a working response to Peru’s current complexities.

The diversity of Peruvian civil society: a new stage and new actors

Civil society in Peru today is, perhaps for the first time in its history, a **plural civil society**, open to diverse interests and representing different classes, groups and social sectors. Its participants include new collective subjects and voluntary associations, like business associations and survival organizations, as well as traditional actors such as professional guilds, labor unions, regional associations and student movements.

Popular organizations. Within what could be called popular civil society in Peru today, it is somewhat difficult to differentiate between voluntary and non-voluntary associations. It is hard to call participation in emergency or survival organizations strictly voluntary, since vital needs, the very conditions for subsistence, are at stake. These organizations differ, for example, from labor unions, with their more voluntary, deliberative and demand-based nature.

Some organizations in popular civil society arose gradually around highly specific initiatives. For example, efforts to urbanize a shantytown or squatter settlement with streets, avenues, parks, schools and a community center demand that some houses be torn down. Or, with nowhere to cook during the remodeling process, a shared kitchen is created, which is later organized into a “People’s Kitchen.”

The urgent needs facing grassroots organizations restrict their deliberative and consensual capacity. Nevertheless, both the proliferation of these organizations and their role in community life make it possible to state that they are becoming stable forms of association, with the ongoing task of fighting some of the worst consequences of the economic crisis and poverty. Though two-thirds polled nationwide say they belong to no organization whatsoever, a significant 10% belongs to the Glass of Milk committees. Moreover, in metropolitan Lima around 5% of those polled say they belong to a People's Kitchen. As might be expected, women's participation in these organizations is very high.

Many survival organizations are becoming demand-based and productive organizations, perhaps because in Peru the social emergency is threatening to become permanent. The dynamism and autonomy of these organizations showcases the vitality of a civil society which is rebuilding itself from within, and which is beginning to weave a dense organizational fabric. For example, in 1991 the Federation of Committees of Self-Managed People's Kitchens of Lima and Callao was organized, representing some 40,000 women in 1,800 kitchens. Nationwide, by the end of the 1990s, there were between 10,000 and 15,000 "People's Kitchens" in existence.

These organizations, almost all led by women, are more and more becoming realms of democratic and consensual practice in which the mechanisms of *solidarity with the poorest* function effectively (for example, by providing free rations). They are, moreover, becoming favored interlocutors and actors for channeling emergency and social welfare programs and they enjoy public recognition. Nevertheless, these popular organizations are not free of problems like distrust about resource management, which some critics say is *controlled by cliques*, or accusations of *favoritism among the members* to unfairly benefit a few, or the *authoritarian behavior of some leaders*.

In addition, there is the problem of political manipulation of these organizations by central and local governments. The granting of what are presented as "favors" has become a form of political clientelism – this includes handing out foodstuffs for use in People's Kitchens, financing by government agencies for small investment projects within the poverty

alleviation program and contracts signed by the state to purchase from small businesses.

The pressing needs and privations faced by many grassroots organizations mean that they have to seek support from the state for their social programs. This makes them vulnerable to political pressure. It is a danger which goes considerably further than a simple offer by the state of privileges in return for participation in pro-government rallies, for political propaganda or for votes at election time. What has been happening is a more direct and humiliating form of coercion: the threat of suspending basic assistance has been used as an instrument to politically direct popular organizations.

Labor unions. Other organizations of popular civil society, like labor unions, have suffered a decline and loss of influence: nationwide only a very small percentage of people polled admits to belonging to a union. The collapse of productive activity, years of recession, the elimination of labor rights, and the shrinking salaried labor force have increasingly marginalized unions, weakening their influence among workers. To a certain extent, they share the blame for their own decline, thanks to their almost exclusively demand-based and belligerent behavior during the 1970s and 1980s. For example, the Intersectoral Committee of State Workers (CITE) made saving the jobs of public employees their singleminded focus and in the end their intransigent and aggressive behavior proved counterproductive.

Legal reforms to make the labor market more flexible and the many people seeking work further reduced the influence of unions and numbers of affiliates during the 1990s. However, towards the end of the decade, there were some efforts to revert the situation. On the one hand certain unions – particularly civil construction workers who lost their right to collective bargaining – have become newly militant and forceful in the defense of their labor rights. On the other, a new generation of union leaders is seeking to change their institutions and turn them into valid interlocutors of business and the state. In these unions, there is more and more talk of joint management, negotiation and dialogue; they also talk of business reconversion and growth. All this bodes well for a change in relations between workers and employers. It remains to be seen whether

this combination of confrontation and collaboration in different sectors will result in increased benefits for workers.

All these changes suggest that in general during the 1990s, popular organizations and unions became fragmented and began to modify their relationships with the state. Even though a relationship of confrontation persisted in some areas of union life, others have moved on towards a relationship based on proposals to resolve specific problems, and on concrete initiatives and measures.

Communities, “rondas” and agricultural guilds. This is also the case of the peasant “rondas” (self-defense squads), the **committees to support the return of the displaced** to their homelands, or the **women’s organizations** in emergency zones like Ayacucho, which deal with the state in terms of concrete demands and proposals. The fact that these organizations are almost exclusively devoted to resolving their members’ pressing problems, however, limits their potential for permanence, autonomy, institutionalization and a broader area of influence.

In rural areas, particularly the Andean highlands, an early form of social organization persists: the **peasant community**. Despite their difficulties and often precarious economic situation, for an important sector of the rural population this continues to be the way life and work are organized. Although many young people migrate to the cities (some permanently and others for shorter periods) and intergenerational conflicts arise, the communities’ traits – solidarity, mutual aid, collective labor and internal democracy – have allowed them to survive as autonomous bodies with their own cultural traditions. Many characteristics of the peasant communities reappear in organizations which urban migrants create as they integrate into urban life. The peasant community has become, especially through this century’s land struggles, a valid interlocutor with other social actors and especially the state.

The biggest agricultural guilds – the National Agrarian Confederation (CNA), the Peasant Confederation of Peru (CCP), the National Agrarian Organization (ONA) – which arose during the 1970s and 1980s are increasingly substituted by local, district and subregional organizations, such as village central committees, village development committees, district

federations and producers' committees. Meanwhile, the peasant "rondas" have gradually lost their organic and ideological links with the big agricultural guilds.

The Fujimori government's economic liberalization program meant that the state stopped intervening directly to promote cooperatives, to market agricultural products, set prices or provide agricultural credits. Some of these functions should be assumed by the producers themselves, organized in private, community, or multicomunity companies. As a result the rural guilds – created on the basis of confronting the state or receiving concessions from it – are changing radically in order to relate to the state in a less conflictive way. The state's withdrawal from rural areas is reorganizing and rearticulating rural civil society, forcing it to find new ways to relate to the state and other organizations of Peruvian society.

Local government and civil society. In the development of civil society during the 1990s, an important change is the appearance of new actors, such as neighborhood organizations which interact with municipal government. The new dynamism of the local governments is clear both in the provinces and in Lima. The creation of district development committees, inter-institutional committees, working committees and dialogue committees, often at the initiative of local authorities, shows a new and more dynamic way for civil society to relate with local powers, a fundamental condition of democratic life. Local governments have understood the importance of promoting participation by organized citizens, choosing the leaders of social organizations – often political independents – to assume municipal positions, organizing consultative processes on specific issues and stimulating direct citizen participation in municipal affairs. In addition, various municipal organizations have been created to jointly place their demands before central government and to dialogue with representatives of state agencies.

In urban areas throughout the country and in Lima, it is also important to underscore the active role played by chambers of commerce, professional guilds. Lions' and Rotary clubs, and other **community service groups**, both in concrete initiatives and in organizing people around issues of shared interest. Another important development is the appearance of **parents' associations** and **classroom committees** in the schools, which

take on promotion, management and leadership roles once left to the state or the schools' private owners.

Business guilds. During the 1980s, several **business associations** appeared and consolidated in Peru, taking their place as actors and autonomous interlocutors in civil society. The organizations representing business in public debate – the National Confederation of Private Business Institutions (Confiep), the Exporters' Association (Adex), the National Manufacturers' Association (SNI), the Peruvian Association of Banks and the Peruvian Institute of Business Administration (IPAE), among others – now play a key role in Peruvian civil society and its relationship with the state, particularly by organizing events like IPAE's Annual Executives' Conference (CADE). In addition, associations of chambers of commerce have started to play a leading role in the articulation of demands and development plans in various parts of the country.

Clearly, these business organizations do not respond to urgent demands of survival, and in the strictest sense are not entirely necessary for the existence of private enterprise. This gives them a deliberative and voluntary character, as well as a potential for autonomy and influence. Some of them, such as Confiep, have received significant foreign aid in order to carry out their activities, helping them weather the pitfalls and hardships of creating a new organization. At the present time, business organizations can assume a more effective role than in the past since they are no longer obliged to defend the importance of private property and entrepreneurial activity. This allows them to set aside a purely defensive attitude and become interlocutors with the government, proposing policy while defending their interests in an effective manner.

The appearance of guilds representing the private sector marked the first time Peruvian business expressed a desire for access to political power. To a great extent, their creation eliminated the need for intermediaries, such as political parties, between business and the state. The rhetoric of these organizations quite clearly proposes that the state see itself as a business and be administered with the same efficiency as private businesses presumably are. They also, as a result, identify civil society with the market.

Nevertheless, despite their growing weight in civil society, the business associations face problems. The harsh conditions facing formal productive activity, as well as the shortcomings of government economic policy, exacerbate frictions between the individual -and not necessarily convergent- interests of the different business sectors.

Additional tensions arise from the differing views of large companies versus small and medium-sized ones, especially given the former's greater influence on the government. The idea that business guilds are dominated by big companies has led many small and medium-sized businesses to solve their problems independently of the guilds, lessening their representativity.

For their part, **informal businesses**, an important sector of the emerging new society, are in the process of identifying their needs and common interests, trying out their own forms of organization and institutionalization. The producers' and merchants' associations and small informal businesses are very dynamic, but seem to favor individual solutions to their problems. Moreover, informal businesses continue to run counter to a variety of laws and regulations, so most remain outside the law. This makes it difficult to develop representational organizations which might act as interlocutors with other actors in civil society and the state.

Despite its plurality and the dynamism of many of its actors, Peruvian civil society has still not articulated itself in an organic way. Nor has it evolved the autonomy which would make it a realm of democratization, participation, and citizen development. The decline and frailty of many organizations of civil society hampers the appearance of representative interlocutors which could define, in fairly precise terms, their relations among themselves and with the state. One major problem is the reluctance of politicians to establish a horizontal and constructive dialogue between popular organizations and public entities. This makes it difficult to set up processes of negotiation and coordination which could reconcile interests and lead to stable political accords, a necessary condition for good government and democratic governance.

Leadership and access to political power

In this setting, mechanisms providing civil society with access to political power are unclear. The problems and vicissitudes of the political parties, which are a fundamental part of the democratic system and are crucial mediators between civil society and the state, means they have lost their ability to respond to citizens' problems and social demands. The parties are no longer the principal means of access to political power.

This may make the transition from civil to political society look too impossibly difficult within a democratic framework or, conversely, too dangerously "simple" in an authoritarian one. The latter may conjure up illusions of a "direct democracy" – based on communication via television and "legitimized" by opinion polls – which erases the intermediary representative bodies of civil society.

Political leadership arises in different ways from the most important realms of Peru's variegated civil society of the 1990s. The presence of a large number of independent political leaders with neither a known political past nor stable political organizations behind them shows clearly how hard it is to link civil and political society in an organic fashion.

For grassroots organizations, there is no continuity between social and political leadership: no one has reached, or for the time being will reach, political power from a starting point in popular civil society. Moreover, there is a glaring *absence of a "cholo" (acculturated Indian) political elite*, though there are efforts to project grassroots leaders onto the national political stage. Opinions expressed in the provinces reflect these efforts: *the social leader should become a political leader who represents his community and its interests; that way there will be democratic political processes which work from the bottom up and not vice versa.*

During the 1970s and early 1980s, Marxist-Leninist parties with a "caudillo" conception of leadership dominated popular civil society. Grassroots organizations have exercised social leadership in a largely defensive manner, concentrating on meeting basic subsistence needs and responding to pressure and attacks from Shining Path, human rights violations by the security forces, the loss of social rights and common crime. At the same time, despite their

key role in the organizations of civil society, women's presence and influence in national political life has been, with few exceptions, very limited.

By contrast, business associations have been able to make the leap from social to political leadership. For example, the political movement "Libertad," which Mario Vargas Llosa led, achieved the first explicit mobilization of Peru's business sector. Though Vargas Llosa lost the election, the political tendencies he embodied won a place in Alberto Fujimori's government as business executives participated in the cabinet, especially the Ministry of Economy and Finance. Though relations between political power and business in Peru have always encompassed both cooperation and conflict, in recent years the direct participation of businessmen in government has made it clear that cooperation (some would call it *subordination*) now predominates.

A more institutionalized civil society would allow Pent to overcome the deficient political leadership which has characterized its entire history. The lack of a continuum linking civil and political society creates problems of representation for political leaders. "Caudillismo" and personalism block institutional development and breed instability. These problems, along with the need for a transparent and responsible exercise of power, call for a new paradigm of political leadership in Peru. The generational transfer of social or political leadership has only recently begun, and still does not correspond to changes in the demographic structure. As political leaders have lost prestige, many young people have grown bored and skeptical about political activity and the public sector.

This implies that if Peru is to advance towards democratic governance and good government, *the authoritarian "caudillos" must make way for empowering leaders*, who can organize the varied views and hopes of Peruvian society into a shared vision of the future, who will support the development of other leaders, who will share power and delegate functions, and who will act energetically but not arbitrarily.

The communications media

A final matter of importance to the development of civil society is its articulation with **the mass media**. As well as informing and entertain-

ing, the media should provide discussion fora, shape public opinion and support the formation of consensus that makes joint action possible. Television plays a special role, followed in importance by radio and the written press.

Nevertheless, a high percentage of Peruvian citizens seem to doubt what they see or hear on television and the other media. The virtual tie between the "Yes" and the "No" during the 1993 constitutional referendum, like Alberto Fujimori's 1990 electoral victory over Mario Vargas Llosa, may be evidence of this skepticism. In both votes, the results contradicted intensive media campaigns, for the "Yes" in the former case and Vargas Llosa in the latter.

In recent years, this tendency has been aggravated, particularly with respect to television. The degree of state influence over what is broadcast has raised popular suspicion to levels that have never been seen before. State advertising, selectively doled out in accordance with the political line adopted by the individual communications medium, has played an especially pernicious role: in the first half of 1999, the state was the largest single advertiser in the media, spending almost \$30 million. Similar, and even more serious, have been actions by institutions or individuals linked to the government designed to intimidate its critics in the press or simply to close them down.

This has wrought changes in both the perception and the reality of communication. Beyond civil society organizations and the communications media, the alternative spaces where opinions are formed and consensus created are, increasingly, the buses, the markets and even religious processions.

It is therefore very important to distinguish between political presence in the media, especially with regard to opinion poll results, and true credibility, solvency or political legitimacy in the eyes of the public. Polling results, often presented as if "public opinion" were categorical and tangible, are not a source of political legitimacy. Polls register the opinions of a representative sample of the population at a given moment, opinions usually expressed without much knowledge or thought about the subject of the poll. People can change such opinions when they receive additional

information, when they consider or ponder issues in greater depth, or simply with the passage of time.

To guarantee good government and democratic governance, civil society's support for political leaders should be expressed less through opinion polls and more through institutional channels and formal mechanisms such as periodic elections, popular consultations and the support expressed by the parliament and city councils for the executive branch. These channels and mechanisms should operate according to clear, stable and pre-established rules, which are free from arbitrary changes and are respected by all, especially those in power.

ECONOMIC MODERNIZATION AND THE MARKET

Over the past few decades, Peru's process of economic transformation has been slow and uneven. From the end of World War II to the mid-1960s, economic growth was based largely on the export of raw materials and on foreign investment, while state intervention in the economy was limited and fiscal and monetary discipline were maintained. During this period, the traditional agricultural structure persisted, while demographic growth and migration to the cities, particularly Lima, began to speed up. Growing social demands revealed the limits of the existing development strategy, with its reliance on raw material exports and its place within an exclusive social and political order.

This strategy failed on every count. It did not resolve the problems bred by the contrast between a small modern sector and a large traditional one which was marginalized from the market economy. It did not revert highly unequal income distribution, overcome extreme rural poverty, or reduce the Peruvian economy's vulnerability to changes in the international economic environment, especially those related to declining terms of trade between raw material exports and manufactured imports.

Industrialization through import substitution

In 1959, the Industrial Development Law ushered in a fundamental change in Peru's economic strategy, shifting it from raw material exports

to an industrialization policy based on import substitution. Additions tacked onto the law in the 1960s created tariffs and import restrictions. In 1970, the General Industrial Law consecrated the import substitution strategy. It established categories of industrial products with tariff protection and created a set of policy instruments designed to influence business decisions.

This strategic change was justified by expectations that modernization would come through industrialization and that the technological levels of Peruvian production would rise, and by the belief, then widespread in Latin America, that simply exporting raw materials in a context of declining terms of trade led to economic stagnation with no hope for autonomous growth. The chief tools of the import substitution strategy were tariff protection and preferential financing (subsidized credit), along with greater state intervention in nearly every aspect of the economy.

In its initial form, put into practice during the 1960s and 1970s, the strategy presumed that domestic industries born under protectionist policies would be ready after several years to compete with imports and in the international market. These industries would be able to generate profits to channel into savings and investment, thus feeding a process of sustained accumulation and growth which would in turn deepen the import substitution process until the country could produce capital goods in competitive conditions.

Peru thus justified granting exceptional – and supposedly temporary – benefits to industrial investors, both Peruvian and foreign. Subregional integration treaties, especially the Andean Pact, focused on establishing a bigger market to facilitate import substitution with, among other instruments, a minimum common external tariff.

Industrial protection, the state and exports

Protecting domestic industry led to higher prices for manufactured goods versus agricultural products, which caused a transfer of resources from the countryside to the city. To finance the treasury and maintain industrial subsidies, successive governments also taxed raw material ex-

ports. Moreover, oligopolies arose in nearly every branch of industry, helping keep the price of manufactured goods high.

Prevailing notions of development, and the way government policies (including price controls, access to subsidized credit, tariffs, import restrictions, tax structures and labor laws) were designed and executed made it logical or “rational” for businessmen to negotiate with government officials in order to obtain the greatest possible advantages and prerogatives. Though this behavior did not taint all sectors and companies, it encouraged corruption and distorted policy instruments originally designed to promote industrial modernization and economic development.

As a result, all Peruvians, from consumers to peasants to exporters, ended up financing the growth of an industrial structure, dependent on state support, which never became a motor of economic growth. *The industrialists were the favorite sons of the state.*

This situation contrasts with what occurred in other countries whose economic growth strategies also incorporated a significant import substitution component into their industrial policy (for example, southeast Asia). In Peru, instead of gradually lowering protection and subsidies, and promoting competition between companies in order to substitute imports efficiently and increase exports, import substitution created a relationship of mutual dependence between businessmen and state officials.

Starting in the 1970s, the state rapidly increased its functions and the number of government agencies and state employees skyrocketed. Foreign companies were nationalized, new state enterprises were created and the state took over a number of bankrupt private companies. With no Peruvian tradition of civil service or specialized and independent public employees, this rapid growth of the state brought disorder in the application of legal norms and arbitrary behavior in the exercise of public functions. Yet the state’s growth also had a positive effect, bringing government services and public works, often for the first time, to the farthest corners of Peru.

Meanwhile, the lack of a legislature during this period of military rule allowed the government to decree a vast number of laws and create

an extravagant, Byzantine and contradictory set of norms and regulations – many designed to favor specific groups – which fed the arbitrary exercise of political and administrative power. Moreover, by creating a system in which benefits to business depended greatly on administrative decisions by underpaid public employees, these legal and administrative norms helped spread corruption.

After the import substitution process began in the late 1950s, Peruvian raw material exports – of sugar, cotton, copper, silver, lead, zinc, fishmeal and, later, petroleum – remained high, generating foreign exchange for imports of the capital goods and intermediary products needed for the substitution program.

This highly diversified base of raw material exports created a false sense of security among businessmen, politicians, academics and government officials, who thought it unlikely that prices and demand for such a broad range of exports would fall at the same time or that, even with vastly increased imports, a balance of payment crisis might occur. But that is precisely what happened in the early 1970s, when a decline in the terms of trade and a sudden drop in exports of certain products (like fishmeal) joined forces with the impact of exchange policy and relaxed fiscal discipline to cause a balance of payments crisis.

The government's response was to increase protectionist measures and restrict access to and use of foreign currency. It relaxed these restrictions during the late 1970s, when the balance of payments situation improved (thanks to increased minerals prices, petroleum exports and fiscal austerity). However, the balance of payments crisis did not produce – as happened in countries like Colombia and South Korea – powerful pressures to implement policies which promoted the export of manufactured goods with greater value added and a more attractive international market than the traditional raw materials

Liberalization, inconsistencies and informality

From 1980 through 1990, a decade of democracy after twelve years of military rule, there were no fundamental changes in the relationship between the productive sectors and the state. After a period of rela-

tive trade liberalization early in the decade, more restrictive and protectionist measures followed and were accentuated after 1985. Efforts to promote non-traditional exports through fiscal and financial subsidies failed to bear fruit, mainly because of fluctuations in the exchange rate and the resulting uncertainty for business. The foreign debt, which had been rising since the early 1970s, continued to grow, despite Alan Garcia's belligerent attitude towards the country's creditors; by 1990 it had surpassed US\$20 billion.

Inconsistent macroeconomic policy management in this period, and above all the government's populist and heterodox policies, brought the Peruvian economy to its knees. The hyperinflation which resulted not only upset the precarious economic order but also, together with Shining Path terrorism, bred a climate of insecurity and disorder which Peruvians found intolerable. Shrinking private investment followed, further aggravating the economic situation and, together with reduced public investment and Peru's isolation from the international financial community, undermining the basis for economic growth.

The Peruvian state continued to grow in the late 1980s, when the scarcity of resources due to the economic crisis and increased inflation was already evident. As a result, the state apparatus disintegrated, unable to carry out even essential functions like maintaining public order and providing basic social services. Low salaries and patronage spread corruption and public disgust with what came to be seen as a parasitic state. Tax collection and public spending during these years fell to their absolute minimum, direct government participation in productive activities fell notably and, as the economy became increasingly informal, the state lost its ability to regulate and orient the Peruvian economy.

It is easy to see, therefore, that Peru's productive modernization has advanced in an unbalanced and irregular way, with stumbles and even steps backward. This modernization took place amid the exhaustion of economic accumulation models based first on raw material exports, then on import substitution and the transfer of resources from the countryside to the city and, later, on foreign borrowing. The explosive population growth which began in the 1950s, plus the generalized impoverishment of the past ten years, have made it well-nigh impossible to generate an eco-

conomic surplus which would help improve the living conditions of the Peruvian people and could be channeled into savings and productive investment.

As mentioned above, starting in the 1980s, one consequence of the crisis in the process of economic accumulation has been the expansion of the informal sales and production sector, marked by the proliferation of small and “micro” businesses, low per-job investment, low productivity and generally rudimentary technology. Moreover, most of the informal sector’s activities take place beyond the realm of existing legal structures, primarily because the swamp of complex rules and regulations makes it nearly impossible to act within the law. Though estimates vary considerably, it is clear that around three-quarters of the economically active population works in small and “micro” enterprises, nearly all of them in the informal sector. It is also estimated that one third of the agricultural population works in small productive units with low technology and productivity.

The market, the state and development

Today, Peru is still searching for a new pattern of accumulation which can generate the internal savings that, added to foreign financing, would feed economic growth sustainable over the medium term. In addition to stabilizing the economy by reducing inflation, eliminating the fiscal deficit and liberalizing the economy, the economic policy reforms set in motion by Alberto Fujimori’s government from 1990 on explicitly sought the full functioning of a productive system based almost exclusively on market forces. These reforms were a condition for Peru’s return to the international financial system after the isolation brought about by Alan Garcia’s policies, and they received the enthusiastic support of the International Monetary Fund, the World Bank and the Interamerican Development Bank. The government so closely identified with these organizations that President Fujimori once described himself as a “fondomonetarista” (a “monetaryfundist”).

According to initial arguments made by the government, a functioning free market should by itself speed up the process of productive modernization and lead to an efficient and competitive economy able to

win a place in the new global order. The central tenet of the reforms is to leave the production of goods and services exclusively in private hands, redirecting state activity towards providing physical and social infrastructure and minimizing its role in regulating, promoting and orienting the economy.

Nevertheless, in the second half of the 1990s, a series of measures and policies formulated by the government gave contradictory signals. Advances and retreats in the privatization process, direct intervention by the government to set prices and alter tariffs to benefit specific sectors, and the selective rescue of a few private companies threatened with bankruptcy created confusion. By its actions, the government proved that its adherence to a free market philosophy was “pragmatic” in the sense of seeking only temporary convenience. Additionally, its refusal to regulate predatory utilities tariffs as an instrument of competition, and its reluctance to control the monopolistic behavior of privatized public service companies, troubled those who do not equate the free market with the law of the jungle.

Protracted recession, crisis in the productive sectors and the weakening of the financial system at the end of the 1990s obliged the state to intervene to pre-empt even greater economic disaster. Even though Peru's problems were largely triggered by external events – the El Niño phenomenon, the Asian crisis, the collapse of the Russian economy and the devaluation of the Brazilian currency – the government's triumphalism and its handling of economic policy meant it failed to take adequate measures to soften the impact of an unfavorable external situation. In consequence, and going against its stated free market policy, the government was obliged to open up one credit line after another to relieve the bad loans burden on banks, to help them refinance loans with debtor companies, to capitalize private companies with inadequate equity and high debts and to grant working capital loans to exporters. In addition, the state's Finance Development Corporation (COFIDE) had to intervene directly to save one bankrupt bank and the national tax authority (SUNAT) was obliged to grant extraordinary facilities to companies to allow them to pay their taxes.

In addition to the social fabric previously mentioned, in order to assign resources efficiently the market needs economic agents – con-

sumers, producers of goods and services, investors and workers – who can make decisions based on adequate information about how different markets (of goods, services, work, capital, land and technology) work and how to read those markets.

The market does not by itself correct existing asymmetries in access to information and the ability to process it (indeed it accentuates them). For the market to assign resources efficiently, Peru needs a framework of regulations, norms, laws and organizations which diminish these asymmetries, promote competition and prevent the concentration of monopolistic power, fraud, and the misuse of privileged information that puts some economic agents at a disadvantage. Some government agencies promote fair competition and regulate private monopolies: among them it is possible to find *islands of administrative excellence in a public sector sea of mediocrity*. However, the lack of a more active state participation in this field has given rise to demands and doubts among private sector players.

Some businessmen complain of discrimination in favor of foreign investors: *we want Peruvian businessmen to be treated the same as foreigners*, is a frequently-heard demand. There are also harsh criticisms of a lack of transparency in some privatizations (the controversial bankruptcy of flag-carrier Aeroperu only a few years after it was privatized is a clear example) and in the tendering of public works, especially those of small and medium size. However, foreign investors also have serious misgivings about the functioning of the rules of the free market: they are especially concerned about the judiciary, and the specialized tax and customs courts in particular. Lack of trust in the Peruvian judicial system means that the majority of foreign investors seek mechanisms of international arbitration for resolution of conflicts: in this way they can avoid submitting to the jurisdiction of Peruvian courts.

These demands and doubts must be addressed. Discrimination, in the sense of explicitly favoring the development of certain sectors and businessmen to the detriment of others, needs not be active for it to exist. Faced with the opening up of the economy, not all sectors start in the same conditions of operating knowledge and ability to compete. The absence of mechanisms to reduce these effects and the persistence of dis-

parities could reasonably be interpreted as discrimination. At the same time, the lack of clear rules on the use of insider information – particularly with regard to former state officials moving to private sector employment and from there negotiating with the state – has a pernicious effect on transparency and the proper functioning of the market. It is not enough for the state to adopt a *laissez-faire attitude*. *The market is not ruled by the law of the jungle, nor by the “vivo” (unscrupulous chancer).*

By the end of the 1990s, the majority of Peru’s economic agents were in a state of confusion and uncertainty, due to a public posture that favored free market policies yet combined them with specific, improvised and often biased instances of state intervention. Contradictions between sectoral policies, between the latter and macro-economic policies, and the continuous interventions by the President of Peru to change the rules of the economic game have dismantled whatever pretension to an economic “model” that the reforms of the early Fujimori years might have had. A coherent and strategic vision of the roles the state, the private sector and civil society organizations should play in Peru’s economic development is markedly absent. Improvisation and arbitrariness, disguised as “pragmatism”, have bred a generalized uncertainty and distrust.

The limitations of relying solely on market forces are obvious in the issue of environmental protection. State regulation of the market is indispensable to sustainably manage marine, forest, water and soil resources, and to avoid the harmful effects of pollution. Regulatory systems can incorporate market incentives and competitive mechanisms, but in the final analysis the state must keep watch over environmental conservation and the interests of future generations.

The contradictions that exist between environmental policies (oriented toward the sustainable use of natural resources), macro-economic policy (which is pro-free market) and sectoral policy measures (which largely lack a clearly defined orientation) are proof of the confusion and disorder bedeviling Peru’s development policies and strategies at the turn of the century.

Apart from the governmental actions designed to ensure that the market functions efficiently in assigning resources, the state has the re-

sponsibility of providing a vision of the country's future. It must also establish a framework strategy to articulate the actions of those involved in Peru's development: this includes private business. Monetary, fiscal and exchange rate stability alone do not promote development. They provide an essential framework. But Peru also needs an effective model of wealth creation and productive modernization able to make the country a powerful competitor in the world economy. The fact that raw materials continue to be our principal export products is an alarm bell. There has been extraordinarily rapid change in technology, in patterns of consumption, and in the global productive structure; this means that raw materials play an ever-diminishing role in international trade, while the terms of trade – the difference in price between the raw materials we export and the manufactured goods we import – continue to deteriorate. Yet Peru's economy continues to be what it was in the 1960s.

Peru's future is not for sale in the market. There is thus a need for institutions and strategic development planning mechanisms that, without lapsing into state control of the economy, can mobilize the talents, initiative and will of all sectors, from the local to the national level.

Rather than a government ministry or central planning agency, which has been the traditional solution to this problem, this calls for flexible networks of planning and strategic management units distributed throughout government, the private sector, and the organizations of civil society. Such a framework would distribute nationwide the capacity to design and evaluate public projects, identify opportunities for economic expansion and take steps to improve the efficiency of the organizations of civil society. Disseminating strategic planning and management capacity would greatly help to modernize Peruvian society.

Productive modernization, jobs and democratization

The technological advances of recent decades, particularly in the fields of microelectronics, telecommunications, biotechnology and new industrial materials, have created a new international context in which productive activities take place. These changes, together with the spread of free trade, profoundly affect job markets in both industrialized and

developing nations. In the industrialized nations, the threat of structural unemployment profoundly changes relations between business, labor and the state. In the developing world, the need for productive efficiency in order to compete in the global market often calls for cutting labor costs, which contradicts the need for jobs for new entrants into the labor market.

At the same time, financial globalization limits the state's possibilities of taxing income derived from capital. This would appear to leave governments with the rather unattractive option of disproportionately raising taxes on income from labor. The growing mobility of capital reduces the capacity of tax authorities in developing countries to collect taxes on income from capital and obtaining resources from this source to finance social programs. In so far as the mobility of capital is greater than the mobility of labor, the tax burden related to financing social protection networks and poverty alleviation is likely to fall on workers themselves.

The *lack of jobs* has been one of Peru's greatest problems in the 1990s, and the great majority of the population perceives it as such. This perception has been aggravated in recent years by privatization – which meant massive dismissals of superfluous staff – by labor policies – which fail to provide workers with any job security – and by the protracted economic recession.

Controversy exists about the percentage of the economically active population which is under- or unemployed, in part because unemployment estimates exclude people who have stopped seeking work (probably, in many cases, because they see it as an exercise in futility). In any case, a preliminary review of these calculations and estimates shows that at the end of the 1990s at least half of Peruvian workers were underemployed and over 15% of them were unemployed.

It cannot be hoped that in the short term the process of productive modernization will change this dramatic situation, made worse by the entrance each year of some 220,000 young people into the labor force. In particular, foreign investment – mainly oriented towards extractive or modern industrial sectors in which investment per job greatly exceeds US\$50,000 – cannot be relied upon to overcome unemployment in Peru.

For example, one of Peru's most important mining projects at the end of the 20th century demands US\$2.5 billion in investment yet creates only 1,900 permanent jobs. Even assuming that this figure rises to 5,000 when indirect employment is included, each job will have demanded investment of around \$US500,000. This is clearly not a viable way to resolve Peru's employment problem.

All the factors listed above mean that Peru's economic modernization continues to occur in an unequal and unbalanced way, and is unlikely to benefit the population as a whole in the short term. Some interpret this process as simply *cosmetic modernization*, one which benefits only a small part of the population while offering the rest an *illusory modernization* limited to symbols and expectations. They warn of an incoherence between the discourse of modernity – associated with individualism, competition and free markets – and behavior patterns at every level, which are still marked by profiteering, mercantilism and demands for privileges, favors and handouts. At the opposite extreme are those who say that modernization at any cost is the only solution, and that remnants of premodern behavior will slowly disappear as the logic of the market spreads and penetrates every corner of Peruvian economic life.

This, however, is a risky assumption. *I was born in crisis, I live in crisis, I shall die in crisis and my children will be born in crisis*, is something one often hears today. It is in sharp contrast to the state of mind prevalent just a few years ago. Then, there was confidence that personal effort and the expectations aroused by official rhetoric would eventually converge. Peruvians still believe that what they, as individuals, do is the decisive factor in getting ahead. But how long can this belief be sustained?

It would be deeply pernicious if the obstacles confronting individual initiative today were to turn to despair. That could lead to the spread of a sensation that is already perceptible: people are starting to believe that perhaps the only solution is state interventionism and a return to political models that are obsolete, particularly in the new international context. Among the poorest, there is more and more talk of creating new state companies. *We were better off with Velasco*, is the feeling expressed by a significant percentage of Peruvians polled who lived through that regime.

Paradoxically, the state's refusal to play an active part in strategically orienting productive development within the framework of liberalization, and simply leaving it to the logic of the market, could eventually induce those who have been hardest hit by the crisis to withdraw the support they have so far given to the process of opening up the economy. Instead of gradually eliminating the remnants of premodern behavior, the logic of a rudderless market could end up producing a return to economic premodernity.

The process of productive modernization is intimately linked to the processes of democratization and legitimation, but each of them develops at its own speed, in a nonlinear way interrupted by unpredictable stops and starts. In general, modernization should be accompanied by institution-building in civil society, the state and the productive sector. *We should advance towards modernization without exclusion.*

As stated above, civil society needs business guilds, grassroots organizations, labor unions and professional associations which actively participate in and contribute to productive modernization. The state needs to create mechanisms and organizations which guarantee transparency and access to information, to establish the regulations which help the market function efficiently in assigning resources, to provide basic services to the poor and to guide national development.

In the productive system, the task will be to improve companies' effectiveness and efficiency, adapting their organizational structures to the demands of competition, modifying their management systems and changing their operational scales in accordance with technological advances. This would imply, for example, reducing the size of some companies and establishing networks of companies linked together by subcontracts, consolidating small units so they can reach the minimum volume of production necessary for new and more productive technologies, and modifying the structures of ownership and family management in order to improve efficiency.

Decentralization and national integration

Modernization tends to integrate the country and expand the market economy nationwide. Nevertheless, the enormous diversity of eco-

logical, social, productive, technological and cultural conditions in the country's distinct regions demands that modernization also explicitly recognize regional and local factors.

Variations in the availability of human and natural resources, unequal institutional development and the different degrees of market penetration suggest that Peru cannot, in conceptual or practical terms, contemplate a uniform, homogeneous modernization process for the whole country. The possibility of articulating regional and local economies should be explored as a basis for the modernization process. Such a strategy would have important consequences for public investments in physical, energy and educational infrastructure.

The unequal distribution of natural resources and productive activity in Peru, arising from both geographical and historical factors, makes it crucial to harmonize local and regional interests with the national interest. A complex process of negotiation aimed at reconciling diverse views must occur, based on criteria such as reducing extreme inequality, the equitable use of natural resources and environmental sustainability.

For example, metropolitan Lima is home to roughly 30% of the national population and produces approximately half of Peru's goods and services, but it generates 85% of the taxes which, in good measure, are redistributed throughout the country through public spending. At the same time, different regions have mineral, water, energy and biological resources, and their exploitation must create a balance between regional development and contributing to the country as a whole.

Decentralization also requires an institutional and legal framework which clearly assigns functions and responsibilities to the different levels of government. International experience has shown that successful decentralization demands regional and municipal autonomy. In Peru, however, regions and cities have no tradition of economic, financial or managerial autonomy. On the contrary, they have been overwhelmingly dependent on the central government throughout Peru's history.

Currently, the central government collects almost all income. Local governments are responsible for only a tiny percentage of all collections

and compensatory transfers made by central government are inadequate. Public spending is similarly concentrated in the central government's hands. This concentration of revenue collection and spending vastly exceeds that of other countries in the region, where local and regional governments are responsible for around a fifth of all collection and spending.

Lastly, strengthening regional and local economic bases is indispensable to any strategy for national integration and development. True autonomy for the decentralized levels of government begins by consolidating their economic base, which in turn requires both the capacity to levy local taxes and support from the central government so local and regional governments can receive national and international credit.

Modernization and democratic governance

A final consideration is the relationship between modernization and the political system. Because modernization affects the interests of economic groups with the power to oppose it, some argue that economic growth and modernization are only possible in the framework of an authoritarian political regime which can overcome resistance through force.

Seen from a different perspective, however, history shows that authoritarian regimes more often lead to economic collapse, partly because collusion between economic elites and the government – which has a negative impact on the well-being of the majority – is easier in authoritarian regimes lacking openness and effective controls over the exercise of political power.

Experience in Latin America and other regions indicates that there is no incompatibility between democracy on the one hand, and economic growth and productive modernization on the other. Moreover, the new context for economic growth demands great flexibility, increased adaptability and rapid responses from business, government and civil society.

Such traits are impossible in an authoritarian, vertical and rigid political system. On the contrary, an open, transparent, decentralized and participatory political regime – in other words a democracy in the broadest sense of the word – is a more propitious setting for productive agents,

civil society and the state to behave in a way which meets the demands of productive modernization and international competition.

LEGITIMATION AND THE STATE

Legitimation is a process by which citizens recognize the state as their own and eventually identify with it. This process, fundamental to building a democratic political community, has yet to occur in Peru, largely because there have been neither an active and vigorous civil society nor a democratic culture. The Peruvian state's longstanding lack of legitimacy has kept most Peruvians distant from power and is one reason why politicians and politics have lost prestige.

This lack of citizen recognition of the state has created governance problems only in recent decades. As long as the distance between state power and society was part of an exclusive traditional order – associated with the oligarchical state which prevailed into the 1950s and 1960s – the exercise of power and authority was guaranteed by the order's hierarchical rigidity. When the traditional exclusive order entered into crisis, the problems of governance became clear.

In this way changes in the relationship between the state and society after the 1970s, especially in terms of democratization, transformed the problem from one simply of “governance” into one of democratic governance.

Governance and democratic legitimacy

Democratic governance implies not only good government in the sense of efficiency (understood as the capacity to maintain the political system's stability and credibility), but also in the sense of democratic legitimacy. This final requisite can only be satisfied if the population identifies with the state and feels fully represented in the circles which exercise power.

Good government is thus not only a problem of goodness and wisdom on the part of the rulers but also, and above all, a problem of citizen participation in making the decisions which affect them and control over

their implementation. For such participation and control to occur, political power and authority must be exercised with transparency, respect for the rule of law and accountability to the governed.

Democratic governance is still a contentious issue in Peru, even more so at the end of the 1990s. For the reasons given above, throughout its history Peru has lacked the conditions for full democratic governance – such as a developed civil society, a democratic culture, a representative and efficient state and a viable strategy for economic accumulation. The frustration of the process of citizen development in Peru has meant more a set of legal norms than a real belonging to a political community. That makes it hard to advance towards democratic governance.

But this in no way means that authoritarianism is inevitable. It simply underscores the urgency of launching actions to consolidate democracy and setting up the conditions for democratic governance.

Difficulties with democratic legitimation

The difficulties facing the process of democratic legitimation have their origin in three fundamental problems – political exclusion, the ineffectiveness of the political regime and the weakness of the legislative and judicial branches – which date from times long past and which the political regime created by the 1979 constitution could not overcome. Still less successful was the political regime of the 1990s, which was based on the 1993 Constitution.

Political exclusion. The first problem was the political system's inability to incorporate the many Peruvians who, in one way or another, have demanded citizenship in recent decades. This inability to fully incorporate as citizens all eligible Peruvians points to serious shortcomings in the mechanisms of intermediation between civil society and the state.

For example, the **political parties**, independent movements and even some non-governmental organizations – whose function is to demand accountability from those who exercise public authority – have failed to establish the channels of communication and the relationships of trust which would help Peruvians and the organizations of civil society

identify with the state and its institutions. In other words, they have not effectively supported the process of legitimizing the state. The deficiencies of these institutions which act as mechanisms of mediation between citizens and political authority, however, are not the consequence merely of technical problems or institutional design. They also derive from their restricted concept of political life, from their inadequate response to citizen demands and from their leaders' lack of representativity.

With few exceptions, the **political parties** have been controlled in an exclusive way by a small group of leaders more concerned with remaining in power than with identifying and processing the people's demands. In extreme cases this has led to the parties' manipulation by a small inner circle and their near-total distancing from citizens and voters. In turn, the people have punished the political parties by abandoning party membership and reducing their influence on Peruvian political life to a minimum. Almost half those polled nationwide in the mid-1990s, excluding metropolitan Lima, believed there was *no possibility that political parties would take their opinions into account in decisionmaking*, while a third said there was *little possibility* of this happening.

Public institutions such as Congress, the Comptroller's office and the Attorney General's office charged with controlling the exercise of governmental power and political authority have not fulfilled their functions. With a few honorable exceptions, notably the office of the Defensor del Pueblo or ombudsman, oversight institutions are inefficient. Worse still, they are often used, by government and opposition alike, in a biased manner to cover up for their allies or to destroy their political enemies. Thus, instead of being a valuable way of avoiding arbitrariness, mechanisms for the oversight of public authorities have been transformed into tools of those who wield political power, whether in government or opposition. This means there is no recourse save to entities outside the political sphere, such as human rights organizations, professional associations and non-governmental organizations.

Controlling the exercise of political power was a very hard task at the end of the 1990s. The concentration of power in central government – particularly in a small group of people close to the President of the Republic – exacerbated that situation to an extreme. Arbitrariness and

impunity, together with the use of a wide range of public institutions to harass political adversaries, meant attempts to achieve democratic control of the exercise of government power were frustrated.

The inefficacy of the political regime. The second stumbling block in the process of democratic legitimation which began in the 1980s was the political regime's inefficacy in confronting the economic crisis and political violence which spurred social disintegration. For example, more than half the population polled outside of Lima think that during Alan García's government *the country moved backward* while more than a third think *the country stagnated*. Worse still, a survey carried out at the end of the 1990s showed that three-quarters of those polled nationwide consider that *the living conditions of the majority of Peruvians are the same or worse than they were in 1990*, when the first government of Alberto Fujimori commenced.

For the past several decades, this inefficacy has been perceived on the one hand as an abdication of the responsibilities of government on the part of those elected to take charge of the executive or, on the other, as a lack of loyalty to the democratic regime by those who did not help to confront the problems from the opposition benches. Whether because of the inefficacy of government or the weakness of the opposition, the process of legitimation of the state was not advanced.

The handling of the economic crisis over the past decade highlighted the lack of coherent economic strategies and policies and the government's inadequate negotiating capacity, manifested in a dynamic of rejection-surrender towards the international financial institutions. The political regime's inability to confront the economic crisis could be seen in its improvisation, instability, lack of continuity in economic policy, and in its seesawing between isolation from the international financial system and acceptance of unduly harsh conditions in order to regain international creditworthiness. This is an indication of the inability of Peruvian politicians in general, and of successive governments in particular, to confront the economic crises that Peru has faced over the past two decades. Moreover, the manifest deficiencies of the central government and public administration hindered the enactment of economic and sectoral policies, and underscored the need for profound reforms in the executive branch and its agencies.

The government also abdicated its responsibilities when it placed the handling of the counterinsurgency almost entirely in the hands of the Armed Forces during the 1980s. The government did not design a clear and appropriate antisubversive strategy and closed its eyes to repressive excesses by the security forces. The military thus assumed the principal responsibility for counterinsurgency, which allowed it to win legitimacy in the public's eyes.

This situation changed during the 1990s, when political power and the Armed Forces forged close links in order to combat terrorism. With the active participation of the National Police, there were achievements in countersubversion, such as the capture of the founder and the top leadership of Shining Path and the successful rescue of the hostages from the Japanese embassy several years later. These underscored the importance of coordinated efforts among the government, the Armed Forces, the National Police and the intelligence services.

Nevertheless, much of the legitimacy gained in countersubversion was lost due to a series of excesses committed by some members of the intelligence services. One clear example was the killing of nine students and a professor from the Enrique Guzman y Valle teachers' training center, better known as La Cantuta. The killing came to light through the investigation of journalists helped by informants from the army intelligence service: there was an attempt by the Armed Forces and the government to cover it up. Something similar happened with another massacre, this time of people attending a party in the Barrio Altos district of Lima. Like the previous incident, this was attributed to the "Colina" group of officers who operated on the margins of the chains of command established by the Army and under the auspices of the National Intelligence Service.

The way in which government authorities, congress and the Court of Military Justice carried out their investigations and tried those responsible for these flagrant human rights violations left a great deal to be desired, and provoked strong citizen protests. Citizen rejection was exacerbated by the discovery that some members of the intelligence services who had informed the press about the killings were persecuted and tortured.

Loss of the legitimacy that had been won through the successes and sacrifices of many members of the Armed Forces is also due to deficiencies in due process and mistakes made by the Court of Military Justice. These made it necessary to set up a special commission to “pardon” innocent people who had been unjustly sentenced. Other problems include the illtreatment of young men “pressganged” into military service, and the arbitrary powers wielded by some heads of the so-called “political-military commandos” in the emergency zones, where they control virtually all instances of the public administration.

However, at the end of the 1990s the Armed Forces still retained a legitimacy, largely due to their successes in countersubversion. This should encourage a rethink of civilian-military relations. The changes in Peru in recent decades mean that the role of the Armed Forces in the country’s political life must be redesigned and their responsibilities limited to their own specific areas. They must be subordinated to democratic civilian institutions.

Peru’s chances of advancing toward a legitimate state, democratic governance and good government depend on the success obtained in dissuading the Armed Forces from exercising, influencing or placing conditions upon political authorities, a temptation that has been very present throughout Peru’s republican history. To achieve this, Peru first needs to design a new doctrine of security and national development, eliminate the politicization of military institutions and articulate a new vision of the role the Armed Forces should play in the defense of the national sovereignty and the maintenance of internal order, especially now that the historic conflict with Ecuador has been resolved.

Deficiencies in the judicial and legislative branches. The third problem confronting the process of democratic legitimation over the past 15 years has been the failure to correct the judicial branch’s handicaps and overcome the legislative branch’s incapacity and lack of representativity. In all probability, the biggest barrier to popular identification with state institutions has been the **judiciary’s** ineptitude, arbitrarily and corruption. As well as being the institution specifically charged with enforcing respect for rights and resolving conflicts in society, *the judiciary is the citizen’s last defense against the immense power of the execu-*

tive branch in Peru. Nevertheless, the judiciary is not only discredited, the ordinary citizen is helpless before it and, worse still, must almost always defend himself against that which is supposed to defend him.

The judicial branch has not acted efficiently or impartially, breeding in society a sharp rejection of it: in polls, most of the Peruvian population says it feels *no trust* and or only *some trust* for the judiciary. Asked: *Do a white and a "cholo" have equal opportunities for justice?* three-quarters of those polled outside of Lima in the mid-1990s said no.

Underscoring this rejection of the judiciary was the very high popular approval accorded to President Fujimori's decision to shut down and reorganize the judiciary and the national prosecutor's office after his 1992 "self-coup": over 80% of the population said they agreed with his action.

This "reform" of the justice system and the prosecution service has laid the ground for new forms of corruption, however. The attributions of the executive commissions charged with reforming the judiciary and the state prosecution service, on top of the number of judges and prosecutors who hold provisional appointments, have led to a level of political subordination unprecedented in recent history. The result has been a yet deeper discrediting of these institutions.

One example of the problems faced by judicial oversight institutions was the intervention of the legislature – whose majority responded almost exclusively to the executive branch interests – to dismiss three members of the Constitutional Tribunal: the judges had voted against the congress's law of "authentic interpretation" of the Constitution, which paved the way for a second reelection of President Alberto Fujimori. This highlighted the way in which the government interfered with the functioning of other institutions of state: in this case, to make it possible for Fujimori to remain in power beyond the only one additional presidential term stipulated in the 1993 Constitution.

The administration of justice is deficient on many counts. Corruption, and the perception that judicial decisions are negotiable, introduces a perverse element of unpredictability to the effective functioning of the law. This phenomenon becomes frenzied under the influence of the drug

trade and the open interference by those who control the executive branch. With a few honorable exceptions, subordination to political power, irregular appointments, resource shortages, the mediocrity of judicial employees, inefficiency and disorder all characterized the administration of justice during the 1990s.

High court and defense costs, long distances and diverse legal obstacles keep justice beyond the reach of all but Peru's upper-income sectors. Thus, many Peruvians cannot turn to a judge to defend their rights, while those indicted on criminal charges cannot afford a decent defense. In addition, the inefficiency, arbitrariness and high costs of judicial procedures increasingly lead private companies to bypass the judiciary entirely and instead rely on private arbitration.

The past 30 years have seen several organizational reforms in the administration of justice. Some have emphasized changing the system of judicial appointments and have conducted *purges to clear out the corrupt or politicized elements of the judiciary*. Others have tried to renew relevant legislation. Today, after a troubled course set largely by changing governments, parliaments and ministers of justice, Peru has new civil, penal and procedural codes, new statutes for the judiciary and a new National Council of Magistrates.

Yet despite these efforts at modernization – or, paradoxically, because of them – apart from a few administrative advances, there has been no real improvement in the administration of justice. Excessive legalisms and venality have replaced due process, while the institutions of the judiciary and the legal system in general deteriorate by the day, subjugating themselves to those who wield political or economic power. Peru is witnessing the creation of mechanisms whose basic goal is *to avoid sending a series of matters to the judicial system*. The transfer to military courts of matters central to the country's democratic life and the rule of law, lynchings, the administration of justice by peasant defense squads (“*rondas*”), and the use of private arbitration all point to the judiciary's profound crisis and to the need for radical reforms if democracy is to thrive in Peru.

Since it reopened in 1980, the **legislative branch** has not fully carried out its functions of lawmaking and oversight. Among the causes

of its failure are the great distance between voters and representatives, congressional subordination to the executive and problems in congress's internal functioning.

In the 1990s, particularly during the terms of the Democratic Constituent Congress and the Congress elected in 1995, the subordination of the legislature to the executive distorted its legislative and oversight functions. This is largely the result of the broad majority the government enjoyed in Congress from 1995 onward. In turn, that majority was obtained through an electoral process in which representatives were elected via a single national electoral district, and a high percentage of votes cast for Congressional representatives was annulled. Alberto Fujimori was simultaneously re-elected with almost two-thirds of the vote.

Citizens sense how removed members of congress are from their needs and interests, watch them argue and fuss over trifles, watch them forget the voters once they reach congress. The vast majority of the population, has little or no trust in the legislative branch and feel they have little hope of influencing congressional decisions.

This view of congress as an institution distant from the people is sharpened by the lack of mechanisms for citizen participation in legislative activities, by the existence of a single national electoral district in the 1995 elections which prevented the establishment of a direct link between electors and their representatives, by the difficulties experienced by some representatives in obtaining media coverage, and by the political parties' often irresponsible management of congressional affairs.

Because the legislature is subordinate to the executive, the latter passes the most important laws by decree, using legislative faculties ceded it by congress. At times, like the beginning of Fernando Belaunde's administration in 1980, or during Fujimori first five-year term, this practice brings down a veritable *avalanche of laws* written by presidential advisors and barely even seen by members of congress. Of all legal norms approved between 1980 and 1990, around a quarter were written and enacted by the executive branch: that percentage rose to three-quarters between 1990 and 1995. As for the internal functioning of the legislature, the constitution does not define the matters on which it can legislate, so

there is no clear division of labor between congressional commissions and the entire chamber and parliamentary blocs are not as important as they should be in legislative activities.

Because of these difficulties, Congress has not fully expressed the country's political spirit, which is something more than the sum of the different opinions of the representatives or the positions adopted by majorities and minorities. Moreover, Congress's limited power as a democratic institution, particularly in relation to the executive, upsets the balance of powers and weakens the process of democratic legitimation through which citizens identify with a state institution as important as the legislature.

Citizen demands for forms of representation that reflect Peru's national diversity and support decentralization have centered on calls to move from the single electoral district to one that has multiple districts or constituencies: this is recognized by the 1993 Constitution, passed during Alberto Fujimori's first government period. Although the text of the Constitution indicated that the single district would apply only for the 1995 elections, the government majority in Congress refused to debate the issue or to pass the laws necessary for the constitutional mandate to be implemented. Together with its reluctance to investigate cases of corruption and human rights violations, this Congressional refusal has contributed to undermining the prestige and credibility of the legislative branch.

Legitimacy and credibility

To advance the process of democratic legitimation in Peru, citizens must trust their political leaders, especially those high in national government. This means government officials must enjoy credibility with the public.

A government and its members earn credibility through a combination of factors. The first is transparency in the exercise of government authority, which implies public access to information about government and the reasoning behind major political decisions. The second refers to the clarity of the government's objectives and its means for achieving them, which demands that it define and broadly disseminate its strategies and priorities. The third is accountability, making good on offers within a

pre-established time frame and not making promises simply for political gain. The fourth is the ethical and responsible behavior which should characterize every government leader and his team. A final factor is honesty, that government officials always speak the truth, no matter unpleasant or unpopular.

Citizen frustration with democracy

The difficulty of legitimizing the state – whether because of the political system's exclusiveness, the government's inefficiency, the opposition's ineffectuality, or institutional shortcomings – has helped destroy the prestige of politics and caused public frustration with the democratic regime installed during the 1980s. This explains, in large measure, the high popular approval levels for Alberto Fujimori's 1992 self-coup.

Peruvians remain ambiguous about democracy and accept the possibility of suspending it under exceptional circumstances: more than 40% of those polled in Lima in the mid-1990s said it was sometimes useful to temporarily sacrifice democracy (a marked contrast with the rest of the country, where only 20% expressed the same view). This makes possible a return to authoritarianism, which, backed by the power of the state, tries to replace nascent acceptance of democratic institutions and their complex processes of citizen delegation and representation with popular identification with a "caudillo" leader. At the end of the 1990s, there were still politicians and certain segments of the population who supported the idea of *democracy with authoritarianism*.

Under these circumstances, political authorities cease to be representatives whom citizens can hold accountable and instead become figures placed above everyone else. *Citizens' representatives come to replace the citizenry, especially for people outside of Lima*. Democratic institutions and procedures become mere tools to be set aside whenever the authoritarian leader so desires.

Citizen frustration with democracy during the 1980s, due partly to the failure of the process of legitimation, generated a tremendous need for order and authority, at almost any cost. This cleared the way for authoritarianism, creating conditions for a return to Peruvians' old ten-

dency to identify with a “caudillo” believed capable of solving their problems. In this illusory identification, people agree to postpone material and other needs in order to *meld with the leader* to whom they entrust their hopes for a better future.

But following a peculiar logic, the authoritarian regime seeks to define itself as *a new kind of democracy*, marked by a supposed direct communication between the leader and the people (*I know what my people want and I know how to give it to them*). This brand of authoritarianism prefers polls to elections as a way to establish legitimacy, and by monopolizing the interpretation of popular sentiment, risks isolation in an ongoing monologue.

In an authoritarian government political decisionmaking becomes a matter for managers and technocrats, who move in worlds far removed from ordinary people and their needs – or for those who run “psycho-social” campaigns and base their decisionmaking on short-term political calculations that use opinion polls as their foundation. Moreover, people’s identification with the authoritarian leader produces yet another illusion of democracy – that *anyone can be president* – which presumably means there are equal opportunities for access to political power.

Authoritarianism causes the process of legitimation and citizen identification with the state to concentrate almost exclusively on the executive branch and particularly on the person of the president. At the same time, the government boasts of the efficiency and effectiveness of institutions which because of their functions or traditions are not transparent, such as the National Intelligence Service, the Armed Forces and private business. In these cases, the government seeks to legitimize agencies, entities and organizations which carry out executive functions beyond the reach of citizen oversight, which is in fact seen as a barrier to effective action.

In contrast, the executive branch denigrates institutions like the parliament, the judiciary and local and regional governments, branding them inefficient and corrupt and doing its best to keep them under its thumb. The government also attacks organizations which form part of civil society’s nascent institutionality, especially organizations which defend human rights.

By stating that it is enough to communicate directly with the people, the authoritarian leader and his retinue seek to eliminate public spaces for communication and consensus-building, spaces which are key to the process of democratic legitimation. Moreover, despite its harsh criticism of the political parties, the executive branch itself is multiplying the mechanisms and channels of political patronage.

Thus, in Peru today legitimacy based on respect for the democratic ground rules which may have tottered but nevertheless existed before the April 1992 coup has been replaced by a legitimacy based on results. But because it is impossible to produce satisfactory results constantly or permanently, to remain in power the authoritarian leader will eventually tend to replace results with a flood of initiatives and activities that give him an image of energy and efficiency. The mass media deepen the impact of this frenetic activity by widely disseminating it. The end result may be inflated and unsustainable political promises which eventually defraud and disappoint the people. Thus, Peru's *central problem is how to recover faith in democracy*.

Reelection and delegitimation

The problem of how to recover faith in democracy and guarantee democratic governance became more acute in the late 1990s, in the run-up to general elections for the year 2000. From 1995 onward, the government had been taking steps designed to allow it to remain in power beyond a second Fujimori presidential period: this undermined citizen confidence in democracy and increased concerns for the legitimacy of the Peruvian state.

The use by the state apparatus of a wide range of its available resources in order to remain in power weakens the institutions which should be a counterbalance to the executive. To pave the way for a second reelection of Alberto Fujimori in the year 2000, the following measures were applied: control and political management of the reorganization commissions in the judiciary and the state prosecution service; laws giving provisional judges in the Supreme Court the same attributions as titular judges (which, among other things, meant they could be appointed to the national electoral authority, JNE); the use of government social

support agencies to put pressure on leaders of grassroots organizations; telephone tapping to spy on opposition leaders and journalists who revealed cases of government corruption; and many other steps. The process deprived the Peruvian people of their juridical security. Once undermined by political power, the institutions involved – whose proper functioning is essential if democracy is to be consolidated – fall into even deeper discredit and become fertile ground for corruption.

In addition, the referendum mechanism was distorted (conditions not envisaged by the Constitution were applied to prohibit a citizen verdict against a second re-election) and continuous attacks were launched against independent journalists and those who opposed a third Fujimori presidential term. This eliminated or distorted the channels through which public opinion could argue and express its will. In addition, agencies of the executive, the legislature and the judiciary were used to neutralize political opponents, either through actions designed to intimidate, or simply by sketching the possibility of taking such actions. Moreover, the influence of the executive over television – the source of information for two-thirds of all Peruvians – made it very difficult for opponents and independents to make widely known views that were opposed to, or different from, those of government.

All this has aggravated political polarization, making it extremely difficult to reach accords and consensuses to guarantee good government, prosperity and wellbeing for all. Concern for democratic governance thus takes on an urgency that is unexpected and crucial. The possibilities of a better future for all Peruvians must be salvaged. Paradoxically, perhaps here lies the best chance of strengthening the conviction that institutions and democratic practices are indispensable in the transition to the 21st century.

NATIONAL INTEGRATION AND SHARED ASPIRATIONS

The three basic processes examined in the preceding section – **democratization, modernization and legitimation** – are closely interwoven and should lead to an organized civil society, an efficient productive structure in which the market assigns resources, and a representative, efficient and decentralized state able to process the demands and interests of different social groups. There is, however, an obstacle to this overall progress, which people describe as *the lack of a National Plan, the absence of a national identity, not knowing where we're going, the lack of a global strategy and the need for long-term shared goals.*

In its review of sources on governance and in its consultants' reports, interviews, conferences, working meetings, search conferences, roundtables, focus groups, and in the polls conducted to diagnose the problems of governance, Agenda: PERU found two recurrent themes: **national integration** and Peru's need for a **vision of the future**.

NATIONAL INTEGRATION AND A VISION OF THE FUTURE

The above, added to the evidence of polls which underscore the prevalence of negative over positive consensuses (more *against* than *for*), suggests that a key problem in articulating and orienting the processes of democratization, modernization and legitimation is **the lack of a shared vision of the future** and of **integrating ideas or metaphors**. Vague proposals, expressed in generalities, to turn Peru into a *modern nation*, aren't enough to satisfy people's need for a sense of direction for Peru-

vian development. In its fragmented, diffuse and illusory form, the very idea of modernity is losing its potential to organize individual efforts and place them within the framework of a larger plan.

The lack of an integrating myth or vision breeds a common complaint and an explicit demand: Peru needs to design a "National Plan," a set of shared objectives, policies and actions for the long term. There have been many such efforts over the past three decades. Faced with the difficulty of building a national identity based on shared experiences, Peruvians seek a vision of the future as an integrating metaphor which can reaffirm national identity and the Peruvian nation.

In a situation in which *modernity imposed from above* clashes, mingles or collides with forms of *modernization from below launched by vast social sectors*, the creation of metaphors and conceptual frameworks to affirm national identity is more than ever a collective effort of social construction. This is a difficult and complex process, but every sector of society participates in it, whether consciously or not. These metaphors should form a vision which integrates different views of the past and Peruvian history, incorporates Peru's plurality and heterogeneity, and makes it possible to understand the current situation of social disintegration and institutional precariousness. It should at the same time offer a vision of the future with which the vast majority of Peruvians can identify.

This is a task for the medium and long term. In today's conditions of heterogeneity and diversity, it can only be undertaken through multiple initiatives arising from every level of society. To a large extent, this is more a social process with its own dynamic than an effort of conscious design. From this dynamic social process, elements of the integrating metaphors and ideas can be derived, to be in turn complemented and reinterpreted with a vision of the future. The realm of civil society appears to be an appropriate place to begin this task.

Building a vision of the future demands that Peruvians recognize that theirs is a varied country in which everyone has some contribution to make. A better awareness of Peru's rich cultural and historical heritage would help strengthen a pluralist and yet integrated national identity; it

would also boost citizens' self-esteem. This is essential if we are to create horizontal links, in conditions of equality, and engage in a democratic and constructive dialogue.

With the collapse of the colonial heritage, the disappearance of old myths and crisis shaking nearly every facet of national life, the current historical moment opens a wealth of possibilities to collectively reinterpret what Peru is and could become.

NATIONAL IDENTITY AND VALUES

National identity is not a finished product, but one that is permanently under construction. It is a dynamic process, based on tradition, on a past that must be fully incorporated; within this, each generation must confront as best it can the challenges imposed by the historical moment and the context. If this is to happen, we must appeal to integrating metaphors and even to mythical concepts. The recent changes experienced by contemporary society make it imperative that Peruvians maintain a historical continuity with respect for their identity while adapting to the demands of a globalized world. This is a twin challenge: to resolve the problems that have built up over time, and those that arise as a consequence of Peru's full insertion into the global society of knowledge and information. Peru must find a harmonious relationship between the values of the past – which must be recreated or strengthened – and the new values that must be established if we are to respond to the challenges of the new globalized society.

Over the past decade, individual values have been seen as the best instrument for Peru's development. However, in the transition to a new decade, these must be accompanied by collective values capable of linking the individual to the rest of society. In other words, as well as values such as honesty, responsibility, truth and the work ethic, we must appeal to other values like solidarity, trust and mutual respect: these are the values that bond a citizens with their community and commit them to creating a shared vision of the future. This implies not only a respect for others, but also for the generations to come and the environment they will live in: for this reason, ecological awareness is a value of ever-increasing importance.

There are, in addition, values necessary for the construction of a culture of democracy. These include treating others as equals, the responsible exercise of authority and respect for the rules of the game. Institutionality, and the possibility of reaching consensus via dialogue, depend on these values; they must be taught in schools and in all instances of civil society, and encouraged through the example set by our authorities.

THE ROLE OF THE MEDIA

The mass media could play a decisive role in building a shared vision of Peru's future. By circulating information rapidly and fluidly, radio, television and the press help create a *simultaneous Peru*, where all Peruvians share something, at least at given moments and about specific issues. As a means of forming public opinion – and not only a source of information and entertainment – radio and television have special power to promote and revive public interest in collective problems of interest to all. They could promote the processes of democratization, modernization and legitimation, helping to further national integration and define a shared orientation for development.

As both radio and television provide places in which to promote debate and present a variety of opinions on subjects of national interest, they can contribute to greater citizen participation and a higher quality of public debate. For example, radio call-in programs give a broad public a place where they can engage in dialogue and express opinions on matters of general interest.

Television's real and potential impact – the root of current talk of *teledemocracy*, *television democracy*, and *electronic town meetings* – have made it the most important media for promoting reflection, debate and constructive criticism, if and when it carries out its mission of informing and shaping public opinion.

Nevertheless, the chances that television could play a key role in the construction of democracy faded toward the end of the 1990s. There are several reasons for this, not least government pressures of a direct (the placing of state advertising, limited access to public sector information) or indirect nature (harassment via the judiciary or the tax authori-

ties). The economic difficulties experienced by commercial television have underscored yet again – and in a very noticeable manner – the tensions that exist between entrepreneurial freedom and the rights of citizens to be well informed. The difficult task of combining entertainment, education and information on television has become even more complex and uncertain; there are indications that television – an extremely important medium and the only one through which some two-thirds of Peruvians receive their information – has abdicated its social responsibilities and lost its independence from the government. To this must be added the threats and persecution that some independent and opposition journalists have suffered; these have even included some television journalists who previously supported the government.

The mass media can play a key role in building integrating ideas and metaphors, and a shared vision of Peru's future. To do so it must not act only according to commercial interests, but must fully assume its social responsibility by providing a showcase for Peru's heterogeneity and diversity, maintaining its independence from government, and helping build consensus on matters of public interest.

PUBLIC SPACES AND SOCIAL INTEGRATION

Public fora are spaces created by civil society that are capable of influencing the state's political agenda. They are arenas in which topics of general interest are discussed, and as such play a key role in the formation of public opinion. They are, thus, fundamental for the design a shared vision of the future and the construction of a plural and integrated identity to which all Peruvians can relate.

All public fora promote open dialogue on topics of common interest: this makes them crucial in the formation of operating consensuses and the dissemination of socially integrating values. Fragmentation and the scarcity of public fora in the Peru of the 1990s have made this task a difficult one; worse, they have made it impossible to articulate a shared vision of the future.

In this sense, Agenda: PERU is an attempt made by civil society to create a public forum that can promote debate on issues that are crucial

for democracy and good government. The experience accumulated over the past seven years proves it is possible to reach consensus involving citizens from many different walks of life in an open, democratic and participative dialogue.

EDUCATION

The vast majority of Peruvians agree that education is indispensable for the creation of values that will permit the construction of an identity that is integrated and yet pluralist. The importance of such an identity has become even more pronounced in recent years, even with regard to such specific issues as ethnic and gender discrimination. Nevertheless, we must go beyond what might be termed a “wishy-washy consensus” that sees education as a catch-all solution for all Peru’s problems but fails to specify how the national educational system should be organized, financed and oriented and what its content should be. Rather the reverse. We must build operating consensus capable of providing the foundations for a radical transformation of Peruvian education.

If this is to be achieved, we must stop using education as an excuse (*nothing can be done because there’s no education*), as a slogan (*Peru can only develop if there is education*) or as a frustrating illusion (*a degree is what matters to get a job*): instead, we must be realistic in approaching the problem and in proposing an integral educational reform. In this sense, the efforts over the past few years of the Educational Forum are noteworthy: it is a civil society initiative that aims to generate reform proposals and draw up an agenda for education.

Integral educational reform is a long-term task that should commence with a series of measures to train teachers and improve their situation. Teacher training colleges are the foundation of any solid project of educational reform, as are programs to improve the training of those who are already teaching. Only well-grounded teachers who are creative and have critical faculties are able to educate children and young people in dialogue, democracy, respect and the search for academic, technical and citizen excellence.

FINAL COMMENTS

At the end of the 1990s, AGENDA: Peru carried out a study in different parts of the country among a wide range of community leaders to explore their visions of the future. This study confirmed the existence of a series of shared aspirations which revolve around the idea of an equitable, pluralist and integrated Peru, a Peru that is open and actively linked to the rest of the world, in which full development of the individual is possible.

This vision of Peru includes a private sector that is efficient and wealth-creating, greater equality of opportunity for all Peruvians, a more equitable distribution of income and wealth, sustainable use of our natural resources and protection of our environment, and the creation of a scientific capacity and a technology of our own. It also includes a more balanced utilization of Peru's vast and difficult territory: this means effective decentralization. But the vision also embraces untrammelled democratic governance, with a state that is efficient, representative and decentralized, and an active and vigorous civil society that is respectful of diversity. And it implies a transformation of our national security institutions to bring them into line with the demands of the new internal and external context at the turn of the century. This vision of Peru implies recognition of the "other" as an equal, as well as the existence of a community of citizens who can participate fully in the civic life of the nation.

AN AGENDA FOR DEMOCRATIC GOVERNANCE AND GOOD GOVERNMENT

The diagnosis of the problems of democratic governance and good government outlined in the preceding chapters suggests that Peru's primary objective for political development today must be to establish a democracy which exists in full force and with true stability. Democracy should be understood in its broadest sense, as not simply a set of electoral rules, but also a set of attitudes, habits and practices of social interaction. This challenge and responsibility demand that all Peruvians work to democratize civil society, modernize the economy and legitimize political institutions.

HETEROGENEITY AND CONSENSUS

Over the past four decades, the heterogeneity and plurality of Peruvian society have begun to be recognized and valued. Over the same period there have also been, in rapid and contradictory fashion, a series of profound changes in every aspect of national life. In this turbulent turn-of-the-century scenario, where a growing number of highly diverse political, economic and social actors interact, the search for consensus and agreement could become the most effective way to achieve democratic governance and good government.

Nevertheless, it is difficult to build operative consensus capable of overcoming the persistent polarization and political fragmentation of

Peruvian society, and of expressing a true convergence of interests and aspirations on how national power and authority should be exercised. It is tempting to hover at a superficial level of apparent agreement, without unmasking the underlying discrepancies that appear when one delves more deeply into the interests and motivations of different social actors. There is also a tendency towards negative consensus. It is fairly easy to agree on what is not wanted or is rejected, but negative consensus does not lead to a confluence of interests, nor does it express a willingness to join hands in a common effort. Moreover, since it cannot be hoped that the path to operative consensus will be free of stumbling blocks, Peru needs to establish procedures for conflict resolution. Inevitably, there will be clashes over the exercise of power and authority in different aspects of national life.

AGENDA: Peru set out to collect the views and input of the broadest possible range of citizens, both in Lima and nationwide, in order to articulate a consensus on a diagnosis and an agenda for democratic governance and good government. In interviews and working meetings, roundtables, workshops and other activities, the project has found that contributions to the diagnosis of governance problems are more numerous and detailed than are the proposals for items to place on the agenda itself. This document's emphasis on diagnosis reflects that imbalance.

REFORMS, DEMOCRATIC VALUES AND LEADERSHIP

Looking at the agenda's issues as a whole exposes the enormity of the challenge Peru faces in advancing towards democratic governance. It also makes it possible to identify three aspects common to most of the agenda items. The first refers to the precariousness of the organizations of civil society, the difficulties with the process of economic modernization and skepticism about state institutions. This aspect points to the urgency of **reforming the existing institutional framework and creating new institutions** -in the public and private sectors and in civil society- in order to process efficiently, effectively and legitimately the economic, social and citizenship demands of all Peruvians.

The second aspect refers to the **dissemination of democratic values** upon which to base patterns of social interaction, which is indispensable to keep authoritarian behavior from prevailing in the exercise of power and authority. These democratic values should be popularized in different ways, not only through schools and educational institutions, but also through the example government leaders set by obeying and enforcing the law, maintaining transparency in government and cooperating in a climate of tolerance and respect for the opposition.

The third aspect common to the different agenda items refers to the exercise of **democratic leadership** by those with responsibility in all areas of national activity. An agenda for democratic governance demands that leaders in government, the private sector and civil society behave at a level befitting Peru's troubled circumstances at the turn of the century. Peru must abandon the idea that governing means simply giving orders and that a leader is someone who imposes his views on others. To implement the initiatives proposed in the agenda, a new concept of leadership – democratic, participatory, open, shared and empowering – is indispensable in every area of national life.

THE AGENDA ISSUES

Agenda: PERU has divided the proposals gathered over the course of its work into four categories. The first covers reforming the structure and functioning of state institutions in order to make them more representative, efficient and legitimate; that is, to create a state with which citizens can fully identify. The second deals with social actors and public spaces for interaction between citizens and the institutions which represent them. This category includes initiatives to promote agreements and consensus, to seek greater balance among social actors by strengthening some of them and defining ground rules for all, and those aimed at the communications media. The third covers initiatives to develop democratic values and behavior among citizens, and emphasizes educating the citizenry and disseminating ideas like equal treatment and equality before the law. Finally, the fourth category refers to strategies to promote national development, as well as ways to design these strategies and put them into practice.

THE STRUCTURE AND FUNCTIONING OF THE STATE

Contemporary Peru's process of rapid and profound change demands that state institutions adapt to new national and international realities. In addition to reforming the state powers -the executive, legislative and judicial branches – this calls for a searching examination of the existing political regime. The political experience of the 1990s – which began with the election to the Presidency of a virtual unknown, continued with the 1992 self-coup and the re-election of 1995, and culminated in a concentration of political power that paved the way for a second presidential re-election – highlight matters like the relative weight of state powers and relations between the branches of government, and the advantages and disadvantages of a presidentialist, semi-presidentialist or parliamentary regime. These issues should be amply debated by all political sectors: The agreements and consensuses which result from this debate would lead to reforms in the Constitution and the statutes of the three branches of government.

Reforming the executive branch. The executive branch's functions, structure, organization and size must be reexamined, particularly in view of the new role assigned the state by the economic reforms and the collapse of public institutions during the 1980s. Under the new division of labor between the public sector, the private sector and civil society, private business and the organizations of civil society are taking over functions that were once state responsibilities. One such example is the provision of basic services and security.

Reforming the executive means reviewing the structure of central government ministries, strengthening regulatory agencies (especially for privatized public services and utilities), creating a national system to define public investment priorities, modernizing and making flexible oversight systems to avoid waste and corruption, and defining new ways for the central and municipal governments to relate. Moreover, since the executive branch must emphasize providing basic social services, new administrative demands and a need for operative links with the organizations of civil society and the private sector have arisen. It is thus urgent to design new administrative structures and new procedures for executive branch activity and its interaction with other public, private and nongovernmental bodies.

Reforming the legislative branch. In recent decades, Peru's acute crisis of representativity and loss of political intermediation have highlighted the importance of reducing the distance between the electorate and its legislative representatives. This opens the issues of bicamerality and the size of the electoral districts, because improvements in the legislative branch also imply major electoral reforms.

Congress's functional shortcomings, in both legislative and oversight efforts, have sparked growing calls for reform. One reform would design and implement mechanisms, such as recall, popular initiative and periodic reporting to constituents, which help evaluate and oversee the performance of members of congress. Congress's internal organization and functioning must also be reexamined to better define the domain of different types of laws, improve the division of labor between the different levels of parliamentary responsibility (plenary sessions, working commissions, executive-congressional commissions, investigative commissions, congressional leadership, party whips and congressional staff).

Reforming the judicial branch. The judiciary's lack of credibility contrasts sharply with its fundamental importance to good government and democratic governance. Judicial reform will demand modernized systems and procedures, increased funding, administrative improvements, and greater accessibility to justice for all Peruvians. This must be complemented with the establishment of more flexible and open legal procedures, reduced court costs, and the implementation of mechanisms to expose and punish corruption and arbitrariness in judicial functions.

The most important reforms, however, concern the procedures for selecting and appointing judges, prosecutors and court officials, as well as training them and keeping them up to date. It is especially important to put an end to the provisional status of many of the former: this lies at the heart of popular distrust of the judiciary and the state prosecution service, which is now reaching critical levels. It is particularly serious that political intervention in these institutions has been occurring through what was supposed to be a reform to improve their functioning, an initiative that originally had popular support. The resulting disappointment and frustration is breeding a deep skepticism that is close to cynicism: that gravely weakens the potential credibility of any future reform attempt.

At the same time, as a result of the judiciary's shortcomings there has been a flowering of new entities to resolve conflicts between corporations and between citizens, among them arbitration and the varied forms of popular justice. The use of arbitration in corporate disputes is increasing largely because of the delays and high cost of judicial procedures, as well as the perception that bribes can influence court decisions. Nevertheless, with no tradition of arbitration systems in Peru, some litigants see them as only a prelude, and when ruled against take their cases to court. Grassroots administration of justice by the "rondas" and self-defense groups has extended throughout the provinces and urban slums. Though this provides a method of conflict resolution and administration of justice in areas beyond the judiciary's reach, there is a danger that popular justice may provoke human rights violations, arbitrary decisions, abuse of power and, in extreme cases, lynchings.

The breadth and depth of the reforms needed in the judiciary, as well as the stillborn reforms of recent years, suggest the need for a strategy with a medium- and long-term perspective which takes into account the limits of human and financial resources and which rebuilds citizen faith that the judiciary belongs to them. An integral part of this strategy would be to delimit and better define when and under what conditions alternative forms of conflict resolution and justice can be applied. In addition, the power of the Military Justice Court to try civilians must be restricted, as must its power over members of the armed forces who have retired and re-entered civilian life.

Decentralization and local government. For people living outside Lima, decentralization continues to be a priority. The division of labor between the different levels of government – central, regional, provincial and district – is a key unresolved problem whose solution is indispensable if Peru is to move towards democratic governance. Peru urgently needs to redefine relations between the central government and local and regional governments, end the centralization of political power and the concentration of administrative, budgetary and financial functions in Lima, strengthen local government's managerial capacity and redefine the administrative relationship between central government and local and regional governments. As mentioned under the section on legislative reforms, these initiatives should be buttressed with changes in the electoral

system in order to assure better citizen representation in local and regional governments and congress.

True decentralization will start with new tax collection mechanisms and a sharing of financial resources between Lima and the regions, departments, provinces and municipalities throughout the country. If there is to be an appropriate relationship between each level's responsibilities, managerial skills, administrative capacity and funding, Peru will have to redesign its distribution of state resources and redefine the power to create and collect local taxes. This task will become more important as cities take over basic social services. Thus, the functions of central government entities which have come to control the lion's share of national budgetary resources, like the Ministry of the Presidency, the Cabinet Presidency, and the Ministry of Economy and Finance, must change.

Local governments matter to citizens and can play a leading role in consolidating democracy, so direct popular participation in them should be promoted and strengthened. This can be done by involving the organizations of civil society in the activities of local government and establishing consultation procedures. Efforts in recent years by city governments around the country – such as coordination groups and interinstitutional committees – show how much can be done. Citizen participation through people's kitchens, Glass of Milk committees, self-defense committees, neighborhood organizations, parents' associations, civic action groups, professional guilds and business associations is already a fact in many provincial and district municipalities in Peru.

Creating a civil service. To overcome the administrative shortcomings of state institutions, Peru needs highly qualified executives and public officials with experience, a service vocation, and a desire to make a career in government. The collapse of public institutions during the late 1980s destroyed the reputation of nearly all state institutions, convincing a generation of young professionals that public service was not a career option.

Individual improvements in some government agencies like the Central Reserve Bank, the National Superintendency for Tax Administration and Indecopi, the competition and intellectual property watchdog, are largely

due to the fact that they have adopted private sector labor practices and offer attractive salaries. But simply adopting such measures will not improve the functioning and operation of the entire public sector, especially those ministries or agencies – such as the ministries of education and health or the Social Welfare and Development Fund (Foncodes) – whose role is public service. Instead, Peru needs a medium- and long-term strategy to renew the public sector's executive, professional, technical and support cadres, and to establish new ties between public agencies on the one hand, and the private sector and civil society on the other.

The creation of an autonomous civil service made up of highly trained executives and officials able to act independently of the successive governments in power would help resolve many of the public sector's administrative problems. Improving and restructuring government agencies, relocating and retraining officials and support personnel, and establishing new recruitment procedures are some key tasks in the creation of a Civil Service.

Lastly, the economic reforms and redefinition of the state's role in national development – still not clearly articulated – add a sense of urgency to the task of improving the quality of human resources in the public sector. Nevertheless, it is worth noting that many of the public sector's managerial weaknesses are also common in private businesses, nongovernmental organizations and grassroots groups. In other words, improving managerial efficiency is not a task for the public sector alone.

SOCIAL ACTORS AND PUBLIC SPACES

The lack of spaces for discussion and dialogue where democratic practices can develop is one of the worst problems identified during Agenda: PERU's efforts. These spaces would allow citizens to build operative consensus out of Peruvian society's heterogeneity and plurality. But the fragmentation and segmentation of existing public spaces, along with the mass media's (especially television's) ubiquitous presence have created a complex scenario for political interaction. Dialogue and discussion mainly take place between more or less homogeneous social or interest groups and rarely between those with differing ideas or interests. Instead of seeking dialogue and consensus, social actors with different interests and view-

points seem to prefer to interact by competing for time and space in the media. Nevertheless, government influence over television – the medium that reaches the vast majority of the population – has transformed that competition into a virtual government monologue.

Thus, a central issue for the agenda on democratic governance is the reconstitution of public spaces for discussion and debate, where the increasingly diverse actors of Peruvian society can interact in order to reach consensus and resolve conflicts. A series of organizations can participate in this task, including the Catholic Church, the nation's most trusted, credible and prestigious institution; the professional guilds, which have acquired real weight in debates on matters of national interest; the business associations, with their tradition of organizing fora and events around issues which concern the private sector; and other institutions like universities, labor unions, think tanks and community service groups. Initiatives in this agenda item should particularly include the political parties, the Armed Forces, the grassroots organizations, the media and entities which are creating new spaces for dialogue and debate.

Reforming the political parties. The political parties should be a primary channel through which citizens express and process social demands. Nevertheless, the parties have lost, at least for now, their capacity to act as true intermediaries between civil society and the state and thus provide spaces for discussion and dialogue.

The weakening of the parties in Peruvian political life has bred demands to reform the party system. These demands center on greater openness in the parties' actions, especially regarding internal democratic procedures and financing; on achieving greater clarity in their doctrine and platforms; on a stronger link between the political parties and the organizations of civil society, especially the guilds and grassroots organizations; and on a more open and transparent relationship between political parties and state agencies, in order to ward off corruption. Greater citizen participation in party life could result from these reforms.

Civil society and the Armed Forces. The military continues to participate in and influence Peruvian politics to an important extent, so it will be hard to improve Peru's chances for democratic governance with-

out involving the Armed Forces. The country needs to create fora for dialogue and discussion in which civilians and military officials can explore new ideas, concepts and approaches to their relations, thus overcoming the type of relationship which has arisen as a result of the counter-insurgency. Important issues include downsizing the Armed Forces, modifying the concept of national defense now the historic Ecuador conflict has been resolved, adapting military power to internal and external security threats, redefining the powers of civilian and military courts, redefining the role of the Armed Forces in national development and deciding how to effectively subordinate the military to civilian control.

Several decades of experience at Peru's Center for Advanced Military Studies (CAEM) have shown the importance of redefining the national security doctrine, which in its original conception covered both economic development and national defense. Democratic governance is a third component which should enter the design – by both civilians and military officials – of a new national security doctrine which better reflects Peru's current situation and the international context.

Civil society and the police. One serious problem that concerns civil security is the lack of trust generated by the institutions charged with maintaining internal order. Peru needs a reliable, efficient and modernized police force that has a democratic culture and stronger links to civil society. To achieve this, it will be necessary to reorganize the bodies charged with providing citizen security, decentralizing its administration and dividing up its functions between the national police forces and local or municipal police. The latter, which is likely to be closer to what today we know as the neighborhood watch or “serenazgo,” would be charged with citizen and transport security. The National Police would be responsible for more directly criminal problems.

A municipal police force, in theory, facilitates a closer relationship between the agents of law and order and the citizenry: this leads to the recognition of the policeman or woman as a friend in the neighborhood. In addition, the direct concern of citizens for their local living conditions encourages greater participation in municipal initiatives for citizen protection. Thus, security problems become a concern for everyone and distrust – even fear – of the agents of law and order is reduced.

Popular organizations. One prerequisite for increased social democratization is for grassroots organizations to enjoy greater participation and influence in national political life. New initiatives are needed to ease the passage from today's precarious institutionality to a network of grassroots institutions with appropriate organizational structures, explicit policies and rules to guide their functioning, and better management. New ties should also link together popular organizations, political parties, state institutions, business associations and other organizations of civil society.

With grassroots groups assuming new roles, their leaders desperately need better training. Labor unions, peasant communities, neighborhood organizations, parents' associations, classroom committees, women's organizations (people's kitchens, self-managed businesses, mothers' clubs) and other groups now actively participate in bringing social welfare programs to the poor.

The communications media. The modern mass media provide the vast majority of citizens with an unprecedented amount of information about Peruvian political, social and economic affairs. Yet their enormous power to disseminate ideas, like the increased weight of public opinion polls, could in fact obstruct the creation and consolidation of social spaces in which to promote dialogue and debate. In the end, different forms of personal interaction are the genuine sources of real, considered, democratic and representative opinion. The media have begun to replace personal interaction with a one-way transmission of information, ideas and images which generally does not allow people to form well-considered political opinions. Although this is a danger inherent in the nature of the media, it has been aggravated in recent years by the influence of the state and the increasing obstacles put in the way of critical journalism.

Seen from a different perspective, however, the media could effectively complement initiatives to create fora for dialogue and debate by exploring new ways to involve people in discussing the issues of democratic governance and good government. One possibility would be to combine search conferences, seminars and roundtables with media campaigns, polls and focus groups, as well as the use of electronic mail and public call-in programs. Documentaries, soap operas and human interest programs on television also have an immense impact and deserve special

consideration among initiatives to create new public spaces for discussion and debate.

Social spaces for debate. Creating and strengthening spaces in which to build agreement and consensus is central to democratic governance. Organizations like the Education Forum, the Annual Conference for Executives (CADE), Intercampus, the Peruvian Press Council, Transparencia and many others that include professional associations and their branches around the country, have become favored fora for debating ideas, making proposals and reaching agreements. Initiatives by universities, research centers, professional associations, consulting firms and nongovernmental organizations are becoming more important in debates on national issues. These initiatives are usually complemented by media dissemination of the debates and accords.

But along with the variety of initiatives already underway, it is important to incorporate new dimensions into these discussions, which tend to be heavily thematic and limited to the conventional realm of debate. For instance, through its search conferences – which combine thematic discussion, group dynamics, personal learning and final evaluations and reflection on the experiences in the workshop – Agenda: PERU found that novel ways of organizing interactions between citizens can enrich debate and allow people to delve more deeply into subjects generally beyond the reach of most meetings, conferences and seminars.

DEMOCRATIC CULTURE

Good government depends on the dissemination and adoption of democratic values and behavior and the development of a democratic culture. These are slow and complex processes, in which a wide range of institutions should participate, especially educational institutions and the organizations of civil society. Educating for democracy, promoting equal treatment and broadening the opportunities for participation are key tasks in developing a democratic culture in Peru.

Educating for citizenship. Education is fundamental to the development of democratic culture. Formal educational institutions – grade

schools, high schools, academies, technical institutes, universities – must inculcate in students fundamental democratic values like equality, solidarity, the responsible exercise of authority, obedience to legitimate authority and mutual respect between citizens. To do so these institutions need civic education programs and activities, like student elections, team efforts and community service, in which students learn democratic behavior by practicing it.

This task should be complemented with the dissemination of democratic values in the basic realms of the socialization of children and young people, principally their families and neighborhoods. Other important programs would involve religious organizations, parents' associations, classroom committees, youth groups, sports clubs and anti-drug groups, which can help children and young people confront problems in their personal development, such as authoritarian and abusive behavior at home, the absence of a father figure and difficulties accepting the behavioral norms of social integration.

Equal treatment, duties and rights. The elimination of discrimination based on social class, race, gender and regional origin is indispensable if all Peruvians are to live in democracy and enjoy equal rights and duties. This difficult task means Peru must first improve the living conditions and opportunities of those who suffer some kind of discrimination. Important initiatives would include support for antipov-erty efforts and for the institutions of civil society which work with migrants, women, children and refugees, as well as those working in Peru's poorest regions.

The dissemination of citizens' fundamental duties and rights, and of guarantees for their exercise, is also key to promoting a culture of democracy. This is the heart of the mission of human rights groups and state institutions tasked with protecting civil rights. At the same time, stronger democratic values will call for eliminating special privileges, creating entities to receive complaints and accusations from citizens whose rights have been threatened (such as a government ombudsman) and enforcing guarantees of equal treatment before the law. The most effective way to move in this direction is through the example given by those in power and political authority.

Popular participation. Popular participation means giving the public a say in every level of government decisionmaking and the power to evaluate and control members of congress and government officials. Effective participation will also strengthen the legitimacy of state institutions, make government action more open, and educate citizens about their rights and duties. Efforts to promote citizen participation and representation at all levels of government, particularly in local government where the distance between citizens and political power is reduced, deserve greater attention and support.

VISIONS AND PERSPECTIVES FOR THE FUTURE

Peru's crisis of governance during recent decades has destroyed its sense of the long term. With their future fraught with difficulties and uncertainty, Peruvians found little room for creative imagination. As terrorist violence and economic decline mounted during the 1980s and early 1990s, bringing unemployment, underemployment, hyperinflation and widespread poverty, immediate concerns took precedence over all else. At the end of the 1990s, concern for the future took on a different aspect. For the vast majority of Peruvians, the future continues to be the short term, tomorrow – yet at the same time there is a clear concern for to hand on to coming generations a country that is viable and secure, where people can fully realize themselves.

Agenda: PERU's consultations have shown that Peruvians have begun to recover their capacity for critical reflection on the recent past, and to express an enormous desire and willingness to explore alternatives for Peru's future. Today, an ever-broader consensus is emerging that this future is directly linked to the development of a solid and stable democracy. At the end of the 1990s, Peruvians appeared to be less inclined to sacrifice democracy for efficiency or concrete results than they had been a decade before. The question of institutionality is, today, at the top of the list of citizen priorities. But it can also be seen that Peru is still far from building a shared vision of the future, and has yet to abandon completely the mental and conceptual frameworks which corresponded to the crises of the recent past. It is urgent to update the ideas and concepts through which the current situation is interpreted, so that they meet the demands of a changing reality.

To move forward, not only towards democratic governance and good government but also, in the broadest sense, towards economic and social development, Peru needs imagination and a forward-looking perspective. This means formulating a broad and flexible development strategy which can guide the central policy decisions of coming years and form the basis for a national consensus on what Peru can and should become. A framework for strategic decisions would also make it possible to identify and explore the broad range of positive outcomes open to Peru and link that potential with what is happening today.

Development strategies. The experience of recent decades, both in Peru and internationally, shows the possibility of designing economic and social strategies which lead to integrated and sustainable development for all Peruvians. These strategies should be organized around four central pivots: economic modernization and a competitive productive structure; social justice and the provision of basic social services to all Peruvians, particularly those facing poverty and unemployment; the sustainable management of natural resources and the environment, in order to guarantee development for future generations; and territorial ordering, decentralization and the provision of physical infrastructure, designed to make better use of the vast and heterogeneous geographical space that Peru occupies.

This is a participative task that calls for the collaboration by institutions of the state, the private sector and civil society: all of these actors on the national stage will need to implement a series of institutional reforms. Institutions linked to national, citizen and personal security will also require reforming. Lastly, the design and implementation of a development strategy should incorporate a change of mentality and a recovery of moral and ethical values, as well as a series of reflections on our national identity.

Strategic planning. A critical symptom of the Peruvian public sector's decline in recent years has been the loss of its capacity to orient development, a symptom embodied by the disappearance of the National Planning Institute. In addition, nearly every sector of public administration has lost three decades worth of knowledge on how to prepare projects and formulate government investment and action programs. As a result,

there is now a scarcity of public investment projects, the capacity to foresee future economic and social demands has declined notably, and the government cannot offer an integrated perspective on how the country should advance.

Nevertheless, this decline has been counteracted by the vigorous development of academic organizations and independent research centers, universities, business associations, professional guilds, consulting firms, and polling and information agencies, whose activities now reach the nation's most important cities. In many cases, these organizations have managed to maintain and even expand their capacity to analyze and evaluate national conditions, a key factor in strategic planning by the Peruvian state, businesses and organizations of civil society.

The public sector must also recover and update its strategic planning capacity. Keeping in mind the new roles played by the private sector and civil society, the government should work to distribute throughout Peruvian society the capacities of foresight, strategic planning and building a vision of the future. One means to do so would be to articulate, in a flexible way, networks of institutions in the public sector, the private sector and civil society, which could coordinate efforts on specific issues and for limited periods in order to provide information and advice to different government agencies.

AFTERWORD

Peru is passing through a period of profound and rapid social change which has been centuries in the making. These changes correspond, to some extent, to global transformations, but the multicultural, heterogeneous and complex nature of Peruvian society both amplifies and exacerbates them. During this transition to a new century and a new millennium, we live in a time of enormous challenges and opportunities to forge our destiny as a nation.

From 1960 to 1980, these processes of change sparked demand for goods, services, order and peace which overwhelmed the capacity of state institutions, the productive sector and the social organizations to satisfy them. These demands were derived from population growth and from the fact that marginalized sectors were not willing to continue to tolerate the injustices which have characterized Peru throughout its history. The mismatch between demands and the ability to meet them brought a generalized questioning of political, economic and social institutions, generating a crisis of governance. During the 1980s, the rise and spread of Shining Path's terrorist violence, economic mismanagement leading to hyperinflation late in the decade and the presence of democratic governments all coincided. As a result, the crisis of governance became one of democratic governance.

In the 1990s, during the two government terms of Alberto Fujimori, the problems of hyperinflation and terrorism disappeared. However, in their place an authoritarian regime was established that showed scant respect for the rules of the democratic game: instead, arbitrariness and im-

position from above were the norm. During this period, social demands for improved living standards increased, particularly with regard to unemployment and generalized poverty. Currently, the great challenge facing Peruvians is to construct a genuinely democratic country with a citizenry that participates in decisionmaking, with prosperity and wellbeing for everyone.

Three interrelated processes will lead to a Peru with an active and organized civil society, a modern and competitive economy and a representative and efficient state. They are **social democratization**, which will create greater equality and which demands the creation of better opportunities for all Peruvians; **productive modernization**, which is already expanding the domain in which markets function in Peru and which seeks to increase the productivity of Peruvian enterprises; and the **legitimation of state institutions**, which aims at an integrated reform of the state to make it more efficient and representative. These processes must be guided by a shared vision of Peru's future which can mobilize the efforts and will of all Peruvians.

Peru's history and current situation show tendencies towards both authoritarian and democratic behavior at every level of society. There is no authoritarian essence in the political behavior of Peruvians. The prevalence and consolidation of one tendency or the other will depend greatly on how leaders exercise power and authority in government, and on the spread of democratic values throughout society as a whole. Nor is there any contradiction between efficient government and full democracy. Democracy is the only system which guarantees economic efficiency and the capacity for adaptation and flexibility necessary for development in a changing world. In sum, authoritarianism is not inevitable. In fact, it is inviable in the medium and long term.

We are living through a transition period, a malleable historical moment in which almost anything can happen. The diagnosis and proposals offered in this document are a reflection of their time, the final years of the twentieth century, a time in which we can see more clearly what has happened to us and is happening to us as a nation. The profound social transformations outlined in this document, together with the extraordinary changes in every aspect of the international context, are creating

new conditions for Peruvian development. Nevertheless, this does not mean that Peru's history has changed in a decade, nor that everything has remained the same. We are not on a sure path to bonanza, nor are we inevitably doomed to disaster. What happens in the years to come depends on us, on what we do to build a more just, more modern, and more decent order for all Peruvians. Thus, the diagnosis and agenda we have proposed remain open to input and should change as the conditions of national life change.

Agenda: PERU has been an example of what can be accomplished by working together to better understand the multi-faceted crisis which has wracked Peru. Throughout the life of the project we have tried to carry out, simultaneously, a diagnosis and an exercise in democracy regarding the issues of governance and good government. This exercise has taken place both within the team and through the participation of several hundred people who generously lent their efforts to the project.

Agenda: PERU's work has shown us the need to recover our ability to observe without prejudice and with wonder our country's surprising diversity, the richness of its history, the diversity of its traditions and the genius and stubborn optimism of its people. It has also helped us understand the limits imposed by contemporary Peru's complex situation – with its challenges, opportunities, uncertainty and problems – on efforts to diagnose its conditions and propose initiatives to promote democratic governance. These limits are clear in the case of Agenda: PERU, whose activities were organized as a project with limited time and resources. Exploring in greater depth the agenda issues and generating consensus about them will be the task, not of a single project, but of institutions and organizations working in a longer time frame. This does not relieve us of the responsibility to offer our views on the agenda issues, but we leave that to other tasks and other realms in which we hope to contribute to the achievement of democratic governance and good government.

Putting the initiatives described here into practice demands working together and, above all, a shared effort from above and below. On the one hand, it is impossible to move towards democratic governance based only on the initiatives and actions of those exercising political power and authority at the highest level. Democratization, modernization and legiti-

mation cannot be imposed by decree. On the other hand, the efforts of grassroots and civil society organizations alone cannot create democratic governance and good government. Without support from government, in time they are likely to end in exhaustion and frustration. Only a combination of actions by government and by the bases of society will allow the processes of social democratization, economic modernization and the legitimation of the state to advance and reinforce one another. The ambiguous and contradictory experience of the 1990s shows that with “more of the same” we shall lose, once again, our chance to make great strides toward the future in the first decades of the 21st century. At this crossroads in our history, it is crucial that those in power lead democratically, conscious of their historic responsibility for building a Peru which can be governed in democracy.

ADDENDUM

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group, in the cities of Arequipa, Cusco, Trujillo, Huancayo y Chiclayo/
Opinion poll (Metropolitan Lima): 602 participants in a representative sample of the Metropolitan Lima population / **Opinion poll** (provinces): 1,508 participants in a representative sample nationwide (polls held in: North: Piura, Cajamarca, La Libertad, Cajamarca y Ancash. South: Arequipa, Tacna, Puno, Cusco, Apurímac, Ayacucho. Center: Junín, Pasco, Huánuco, Ica, Lima-provinces. East: Amazonas, Loreto)/ **National opinion poll**: 1,857 participants in a representative nationwide sample/ **Polling firm**: IMASEN, Giovana Peñaflor, Manuel Córdova, Martín Sánchez/
Sponsors: Mellon Foundation(Stephanie Bell Rose); National Endowment for Democracy (Adelina Reyes Gavilán, Michael Shifter, Karen Zacarías, Lilian Pubillones-Nolan, Katy Mudge, Kimberli Brown); US Agency for International Development, Lima (George Wachtenheim, Stephen Norton, Jeffrey Borns, Edith Houston, César Fonseca, Carrie Thompson, Maruja Novoa, Sobeida González, Madeleine Williams, Teresa Pfeiffer); International Development Research Centre (Anthony Tillet, Fierre Beemans, Chris Smart); Canadian International Development Agency, (Paúl Chambers, Milka Dinev, Gilíes Rivard, Iván Roberts, Isabel Molina); Tinker Foundation (Renate Rennie, Nancy Truitt); McArthur Foundation (Víctor Rabinovich, John Hurley, Avecita Chichón); Organization of American States, OAS (Benno Sander, Carlos Gallegos, Nelly Ruiz); IFES (Mariella López, Carlos Contreras); Carnegie Corporation (David Hamburg, Patricia Rosenfield, Akin Adubifa, Esther Brimmer, John Stremiau, Jane Hall); Andean Development Corporation, CAF (Gustavo Fernández, Amaldo Altet).

About AGENDA:Peru

Agenda: PERU is the principal program of FORO Nacional/ Internacional, a non-profitmaking civil association established in Lima, Peru in November 1992. Its aims are to improve the prospects for development and democratic governance, promote dialogue and consensus on key issues and strengthen citizen development.

In its initial phase from 1993 to 1995, Agenda: PERU prepared a diagnosis of the problems of democratic governance in Peru. To this end, it carried out studies and research and created fora for discussion, debate and the creation of consensus. It also organized a broad consultation process in many parts of the country, seeking to incorporate the views both of experts and of a wide range of ordinary men and women. This diagnosis allowed the identification of an agenda of initiatives capable of improving prospects for democratic governance in Peru.

Between 1996 and 1999, Agenda: PERU's team focused on various topics derived from the agenda of initiatives, such as the reform of the state and the executive, the evaluation of social policies and poverty reduction, the participation of university students in national life, the impact of changes in the international arena on Peruvian development and the aspirations and desires that underpin the country's vision of the future. In parallel, Agenda: PERU embarked on an effort to synthesize its own work with the contributions of other researchers into Peruvian reality. The objective was to design a development strategy for Peru in the transition to the 21st century.

Agenda: PERU's approach and work methodology have laid emphasis on promoting dialogue and creating operative consensus: it has consulted not only experts but the citizenry at large. This has led to the organization of a large number of seminars, workshops, conferences, in-depth interviews, focus groups and opinion polls both in the provinces and in Metropolitan Lima. The results of Agenda: PERU's work are available in the form of a final report, a series of books and supporting documentation, supplements in magazines and inserts in newspapers. There is also an institutional web page (www.agendaperu.org.pe).

Agenda: PERU's program has received the disinterested support of hundreds of Peruvians who have participated in its activities over its seven years of existence. The early work was supported by the Mellon Foundation, the National Endowment for Democracy (NED), the US Agency for International Development (USAID), the Canadian International Development Agency (CIDA) and the Tinker Foundation. The last three mentioned continued supporting the program until its end. Other financial contributions have been received from the International Development Research Centre (IDRC) of Canada, the MacArthur Foundation, the Andean Development Corporation (CAF), the Organization of American States (OAS) and the International Foundation for Electoral Systems (IFES). AGENDA:Peru has also received financing for specific activities from private companies and individuals, as well as using its own resources generated through consultancy activities carried out by members of its research team.

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DEMOCRACY AND GOOD GOVERNMENT

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How are power and authority exercised in Peru? What are the conditions that make possible democratic, efficient and representative government? How to move towards a more democratic society, a modern economy and a State with which all Peruvians can identify?

These questions are answered with the results of seven years of studies and consultations all over Peru. Businessmen, workers, opinion leaders, intellectuals, grass-roots leaders, professionals, housewives and citizens of the more diverse extractions have contributed to this study.

This book offers a perception shared by a wide range of Peruvians regarding the problems of democratic governance, and proposes an agenda to consolidate democracy and good government in Peru.

