

## **2** Strengthening integrity in the Peruvian regions

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While integrity is a concern at all levels of government, opportunities for certain types of corruption risks can be more pronounced at subnational levels. In turn, strengthening integrity contributes to maximise the potential of subnational entities in business activity, revenue collection and private and public investments. In Peru, a comprehensive framework exists for regional public integrity systems. In practice, however, the level of implementation varies from region to region and depends on several national but also contextual and resource-related factors.

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## Regional and other subnational governments are highly vulnerable to corruption

Subnational governments (states, provinces, municipalities, etc.) can be drivers for innovation, economic development and productivity and also play a key role in promoting social capital and well-being. However, weak governance structures can undermine their ability to do so. Vulnerabilities in governance structures and processes due to lack of integrity, transparency and accountability provide opportunities for corrupt practices and policy capture. At the same time, those benefitting from corruption have incentives to maintain the status quo and undermine effective reforms. In this way, corruption perpetuates and exacerbates governance weaknesses. A lack of integrity undermines the institutional capacity of the subnational government to effectively deliver public services and hinders the design and implementation of effective public policies. At the same time, when citizens do not perceive their government to be working in the public interest and deliver public service effectively, public trust can be undermined (OECD, 2018<sup>[1]</sup>).

In turn, strengthening integrity can mitigate the risk of corruption and policy capture, thereby contributing to the maximisation of a subnational area's full potential in business activity, revenue collection, and foreign and domestic private and public investments. Similarly, the subnational level may set an example for (re-)building trust and fighting threats, such as organised crime (OECD, 2018<sup>[1]</sup>).

While integrity is a concern at all levels of government, opportunities for certain types of corruption can be more pronounced at subnational levels. The increased frequency and closeness of interactions between subnational government authorities with citizens and firms as compared to the national level can create both opportunities, especially by facilitating subnational accountability, and risks for integrity. Subnational government responsibilities for the delivery of a large share of public services (e.g. education, health, security/justice, waste management, utilities, granting licences and permits) as well as for spending and investment, increase the frequency and directness of interactions between government authorities and citizens and firms, which creates opportunities to test the integrity of subnational governments (OECD, 2017<sup>[2]</sup>). Regional and local governments may also have higher levels of at-risk expenditure such as social spending or public procurement contracts, which require additional measures of control. For example, in 2015, 63% of public procurement spending occurred at the subnational level in the OECD (OECD, 2017<sup>[3]</sup>).

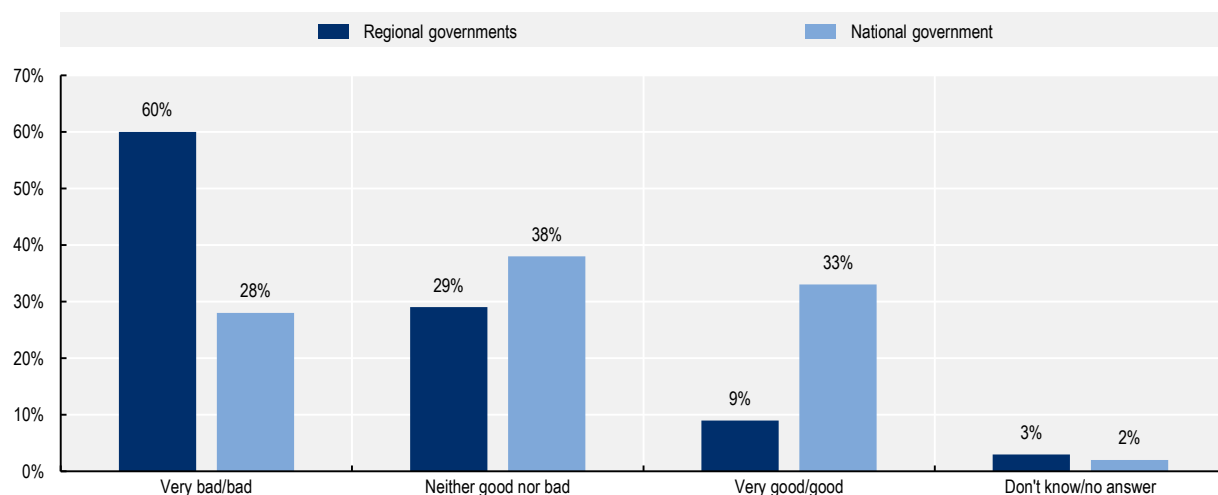
In general, OECD experience identifies a series of common challenges that may lead to opportunities for corruption at the subnational level, including in Peru's regional governments. These challenges are related to:

- Limited technical and financial capacities and resources.
- Higher discretion of subnational politicians due to often limited opposition, limited independence and effectiveness of subnational auditors, limited disclosure requirements for annual budget, public tenders and similar.
- Low capacities to issue and/or enforce regulations of good quality with direct impact on business activity and life of citizens.
- Insufficient safeguards for the independence of subnational enforcement systems, and lack of resources and capacity to effectively combat corruption.
- Close ties between business elites and political elites at the subnational level, leading to clientelistic practices.
- Weak presence of the State in remote rural areas.
- Weakness of subnational election processes, practices of vote-buying and patronage undermining the integrity of the electoral process.
- Limited ability by organised civil society (low capacities, capture of civil society groups, etc.) holding subnational governments to account for their actions.
- Unclear assignment of responsibilities across levels of governments limiting co-ordination and accountability.

- Mismatch between responsibilities and financial resources of subnational governments. The limited fiscal autonomy might undermine subnational accountability.
- Governance arrangements to co-ordinate priorities and align objectives are often weak. This directly affects the efficiency of public investments and spending.
- Poor data collection and performance monitoring of public service delivery and investments affect the needs assessment and the monitoring and evaluation of measures (OECD, 2018<sup>[1]</sup>).

In Peru, the anti-corruption efforts made by regional governments are perceived by the citizens as rather ineffective: 60% of Peruvians consider the efforts of the regional government as bad or very bad compared to 28% for the national government (Figure 2.1) (Proética, 2019<sup>[4]</sup>). This may be explained by a number of corruption cases involving the regional political leadership: in 2017, 67 of governors and former governors were under investigation for corruption offences. (Procuraduría Pública Especializada en Delitos de Corrupción, 2017<sup>[5]</sup>) This underscores the need for the regional governments to strengthen their integrity efforts and build a coherent integrity system aligned to the overall integrity system promoted at the central level.

**Figure 2.1. Perception of the effectiveness of anti-corruption efforts made by Regional and National Governments**



Note: Question posed to the respondents to the survey was: "According to your knowledge, how would you qualify the way the National Regional Government/Government in power manages the fight against corruption?" (*Según lo que usted conoce, ¿cómo calificaría la gestión de Gobiernos Regionales/Gobierno de turno en la lucha contra la corrupción?*).

Source: (Proética, 2019<sup>[4]</sup>).

## The integrity ecosystem in Peru's regions

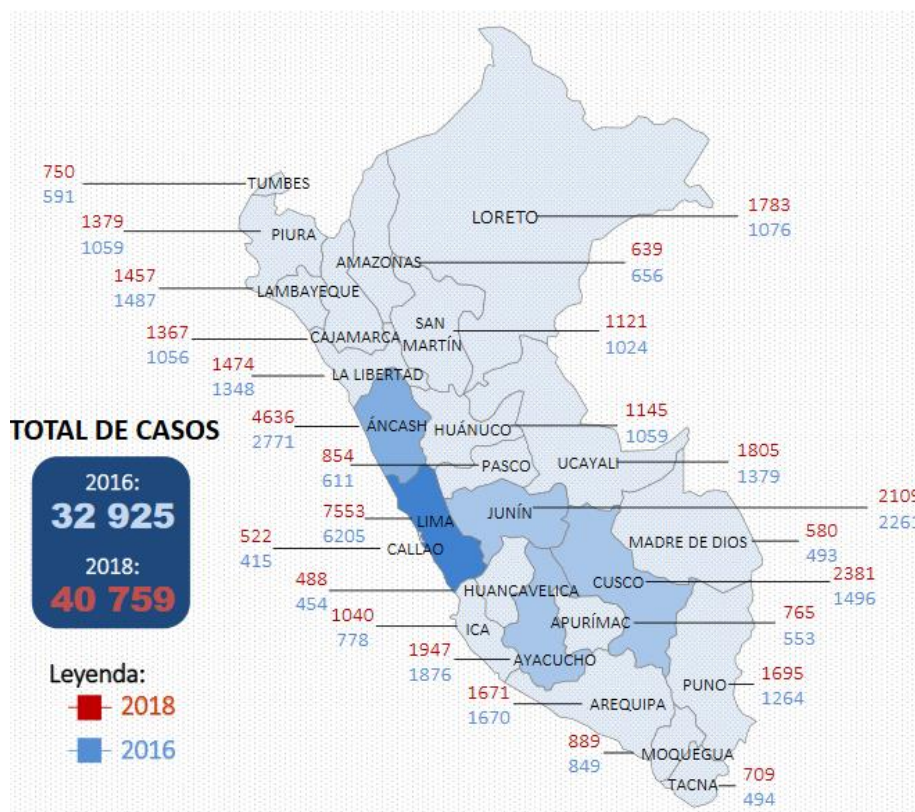
The current integrity ecosystem at regional level consists of and is determined by a number of policies, actors and mechanisms operating at both the central and regional level. While overall they formally compose a comprehensive framework for regional public integrity systems, in practice the level of policy implementation and institutional activity varies from region to region and depends on several contextual and resource-related factors.

## The National Integrity and Anti-corruption Policy and its Action Plan 2018-2021

The National Integrity and Anti-corruption Policy, adopted with Decree N° 092-2017-PCM, provides for a comprehensive diagnostic of corruption and its causes in Peru and defines three themes of priority actions: preventive capacity, risk identification and management, and enforcing capacity. Each of these themes consists of specific objectives with related responsibilities and guidelines. Furthermore, the policy defines a number of minimum standards on various issues such as culture of integrity, conflict of interest, and electoral systems. This policy also built on the input of the *OECD Integrity Review of Peru* (OECD, 2017<sup>[6]</sup>) and a consultative commission of experts created by the President of Peru in 2016 (*Comisión Presidencial de Integridad*) which identified key risks and proposed a set of measures to promote integrity in the public sector (Comisión Presidencial de Integridad, 2017<sup>[7]</sup>).

The national policy recognises the limited reach of anti-corruption actions at the regional and local level, also in light of the evidence that subnational entities are those most affected by corruption. According to the criminal statistics of corruption cases reported in the national policy itself, cases in district municipalities accounted for 27.3% of the total (8 994 cases), followed by those in Municipal Provincial entities with 15.1% (4 985 cases), and Regional Governments with 10.2% (3 349 cases). Altogether they represented 52.6% of total cases at the national level, with a total amount of 17 328 cases. The increasing number of corruption cases at the subnational level are also pointed out in a report from Peru's Ombudsman Office comparing the criminal proceedings on corruption-related offences by public officials in 2016 and 2018 (Figure 2.2).

**Figure 2.2. Criminal proceedings against public officials on corruption by department in 2016 and 2018**



Note: The data correspond to the alleged crimes by public officials under the scope of Articles 326 and 401 of the Criminal Code.  
Source: (Defensoría del Pueblo, 2019<sup>[8]</sup>).

The National Integrity and Anti-corruption Policy is complemented by an Action Plan for 2018-2021 (*Plan Nacional de Integridad y Lucha contra la Corrupción 2018-2021*) through Decree N° 044-2018-PCM, which defines several actions with specific goals (*metas*) involving regional governments. These are:

- Strengthening the Anti-corruption Commission (CAN) through the articulation of the Regional Anti-corruption Commissions (CRAs).
- Methodology for risk identification and management to prevent, detect and sanction corruption.
- Induction training for public officials.
- Performance management.
- Awareness-raising activities.
- Registration of lobbying activities (*registro de visitas*).
- Risk identification and management in public procurement processes, including training.
- Incorporation of institutional control bodies (*Oficinas de Control Institucional*, OCI) into the administrative structure of the Comptroller General Office (CGR).
- Administrative simplification.
- Compliance with transparency obligations.
- Accountability hearings and promotion of civil society training.
- Citizens oversight mechanisms.
- Digital technologies for accountability.
- School education on integrity.

More generally, both the anti-corruption policy and plan establish that the CRAs collaborate and support the SIP in the follow up, monitoring and evaluation of the plan itself.

### **Regional Anti-corruption Commissions**

As emerging from both the National Policy and its Action Plan, the CRAs play a crucial role in co-ordinating the integrity and anti-corruption efforts in the regions. They are first envisaged in Law 29976 creating the National Anticorruption Commission and its implementing regulation (Decree N° 089-2013-PCM) as the entities co-responsible for implementing the National Policy with the CAN. For this creation, the legal framework indicates to take into account the structure, functions and participants of the CAN, in view of the adequate involvement of the key public actors, the business sector and civil society involved in the fight against corruption at the regional level. To further ensure co-ordination with the regional level, the CAN itself also counts with the participation, as full member, of the President of the National Assembly of Regional Governments.

In 2016, the Technical Secretariat of the CAN provided guidance for the creation of the CRAs, including on:

- the formal constitution through regional ordinance (*ordenanza regional*)
- the suggested composition, in line with the one of the CAN (Table 2.1)
- priority functions, which are:
  - the development of regional anti-corruption plans based on a corruption risk diagnosis (Box 2.1)
  - the follow-up, supervision, and reporting of the National Plan's compliance
  - proposing regional policies for the prevention and fight against corruption.
- the structure, with a rotating 1-year presidency among members and a technical secretariat to steer the technical work of the CAN

- the CRAs' internal regulation (*reglamento interno*), which should address the aim and objectives, the members' obligations and powers, functions of the President and the Technical Secretariat, as well as details on the organisation and development of the sessions (CAN, 2016<sup>[9]</sup>).

The CAN envisages a 60-day deadline for the adoption of the internal regulation starting at the first session of the CRA. In practice, it can be observed that not all active CRAs comply with this deadline and have adopted an internal regulation (21 out of 23 CRAs) (Table 2.2). Regarding the nomination of a Technical Secretary, 19 out of 23 active CRAs have so far done so. Furthermore, the institutions nominated for the role of the Presidency and the Technical Secretariat of the CRAs are playing a key role in the planning of activities and the provision of technical inputs. Currently the former is mostly given to the President of the High Court of Justice (Figure 2.3), while the latter to the Regional Government itself (Figure 2.4).

### Box 2.1. CAN's Guidance on developing Regional Anticorruption Plans

The CAN stresses that the development of the Regional Anti-Corruption Plan is a priority area to be developed by the Regional Anti-Corruption Commission. It represents a management instrument allowing to focus on preventive and punitive actions based on the identification and assessment of the processes and practices that generate the greatest risk or vulnerability to corruption in each region. For this purpose, the CAN emphasises the preparation of a preparatory internal diagnosis in the region that should involve the participation of all relevant entities in the region. Guidance is also provided in identifying relevant actors in the preventive area, including those in charge of improving management, efficiency transparency, and oversight.

Source: (CAN, 2016<sup>[9]</sup>).

**Table 2.1. Members of the CRAs**

National institution	CRA's member	Role and function of the regional entity
Judicial Power ( <i>Poder Judicial</i> )	President of the High Court of Justice ( <i>Corte Superior de Justicia</i> )	The High Court of Justice is the highest judicial body in each judicial district.
Presidency of the Council of Ministers	Regional Governor	The mission of regional governments is to organise and lead the regional public management in line with the regions' exclusive, shared and delegated responsibilities, and within the framework of the national and sectoral policies. This should contribute to the region's integral and sustainable development. (Regional Governments Organic Law N° 27867)
Ministry of Justice and Human Rights	Decentralised Anti-corruption Public Prosecutor ( <i>Procurador Público Descentralizado</i> )	The Anticorruption Attorney Office exercises the defence of the State to safeguard its interests through the collection of civil reparations and recovery of assets in cases of corruption involving public officials. The Office counts with 15 Decentralised Offices with responsibility on groups of judicial districts as defined by Resolution 046-2015-JUS/CDJE
Office of the Attorney General ( <i>Fiscalía de la Nación</i> )	President of the Judicial Districts' Senior Prosecutors Council ( <i>Junta de Fiscales Superiores del Distrito Judicial</i> )	Each Judicial District where are three or more Senior Prosecutors constitutes a Council, where prosecution activities are planned and organised under the supervision of its President. (Organic Law of the Public Prosecution Office, Legislative Decree N°052)
President of the National Assembly of Regional Governments ( <i>Asamblea Nacional de Gobiernos Regionales</i> )	President/Representative of the Regional Council	Regional Councils are the democratically elected organs at regional level with regulatory function and supervising the Regional Government. Each Council counts with a President, a Vice-president, and 7 to 25 Councillors for each province that are elected for a 4 year-term.



National institution	CRA's member	Role and function of the regional entity
Office of the Comptroller General ( <i>Contraloría General de la República</i> )	Head of the Regional Control Office ( <i>Oficina Regional de Control</i> )	The Regional Control Offices are decentralised bodies of the Comptroller General Office with the responsibility to plan, organise, manage, execute and evaluate control activities in the entities under their jurisdiction.
Ombudsman Office ( <i>Defensoría del Pueblo</i> )	Head of the Regional Ombudsman Office	The Ombudsman office has the institutional responsibility to defend and promote the rights of individuals, monitor the effectiveness of the State performance's administration and oversee the adequate provision of public services. At the regional level, it counts with 28 regional offices (Regional Governments Organic Law N° 27867).

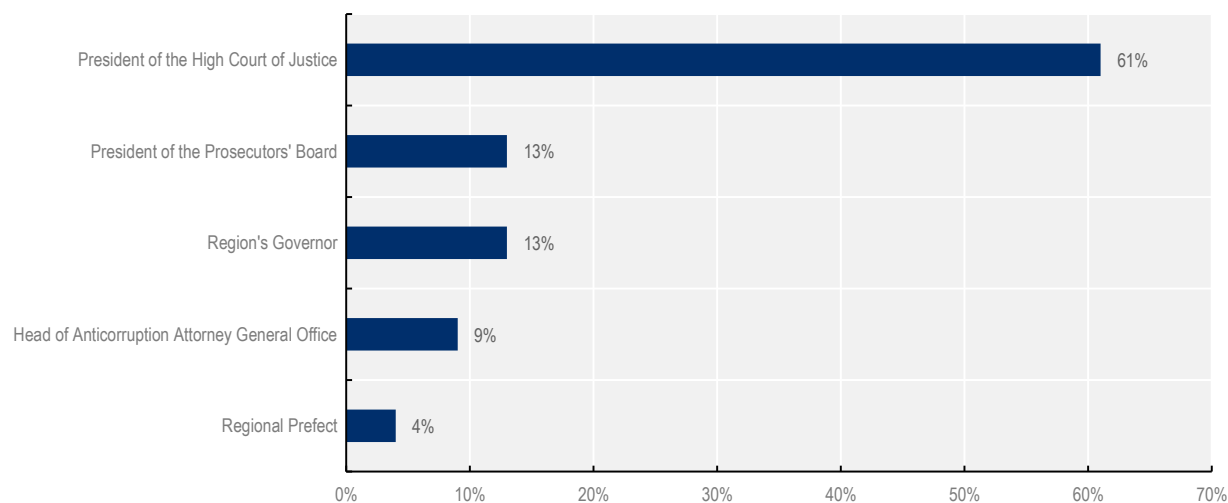
Source: (CAN, 2016<sup>[9]</sup>).

**Table 2.2. The implementation status of CRAs in Peru**

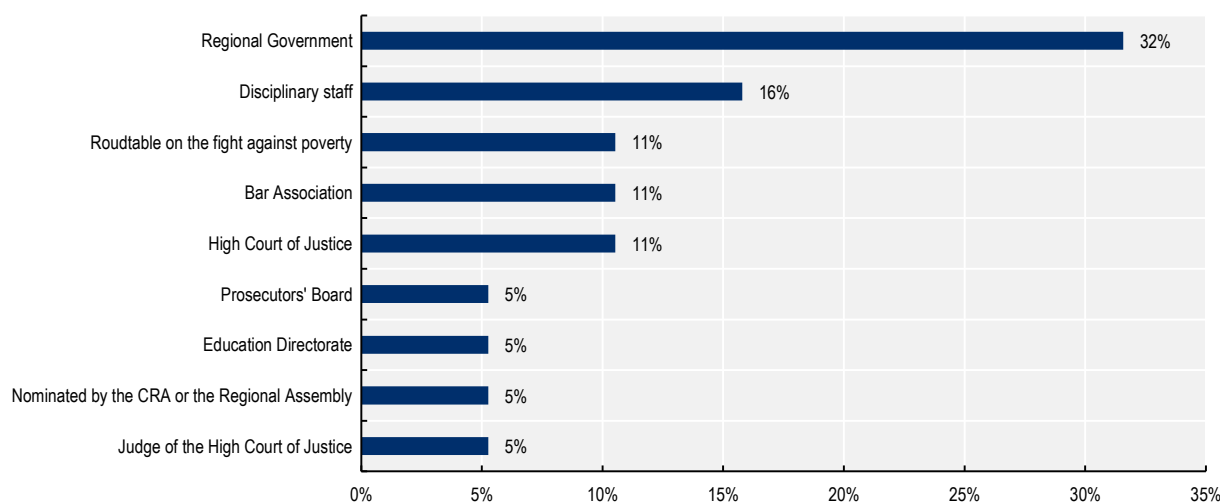
	Status
Active CRAs in Regions <sup>1</sup>	92% (23 out of 25 Regional Governments)
CRAs with Technical Secretariat	83% (19 out of 23 CRAs)
CRAs' Technical Secretariat with full time dedicated Technical Secretary	0%
CRAs adopting Internal Regulation	91% (21 out of 23 CRAs)
CRAs adopting Regional AC Plan	56% (13 out of 23 CRAs)

1. A CRA is considered active when meets regularly, implements actions agreed upon in the Regional Plan or is in the process of elaborating it.  
Source: Peru's Secretariat of Public Integrity, information as of January 2020; (Defensoría del Pueblo, 2018<sup>[10]</sup>).

**Figure 2.3. Presidency of the CRAs**



Source: SIP, January 2020.

**Figure 2.4. Technical Secretariats of the CRAs**

Note: Of a total of 19 Technical Secretariats.

Source: SIP, January 2020.

Furthermore, detailed indications with timelines have been developed by the CAN to assist the CRAs in the preparation of regional anti-corruption plans. The CAN estimates a total of 14 weeks for all the activities leading up to the plan. Accordingly, these should be developed addressing in sequence the following steps:

**Figure 2.5. Steps for the development of Regional Anticorruption Plans**

Source: (CAN, 2015<sup>[11]</sup>).

In this process, particular emphasis is made on the assessment which should aim at identifying the problems and conditions that facilitate corruption at the regional level, especially in relation to existing prevention and enforcement mechanisms, but also understanding those connected to the procurement processes and those of the key productive activities of each region. The guidance document on the plan also includes a proposed structure touching on all the above-mentioned steps of the process. In practice, however, it can be observed that Regional Anticorruption Plans are often not in place - this is the case only in 13 out of 23 active CRAs (Table 2.2). Those that are in place, are often not developed in a strategic manner. In many cases, they are not based on an assessment of integrity vulnerabilities and neglect the design of outcomes and indicators to facilitate monitoring and evaluation. They often consist of a tick-the-box exercise.

### ***The implementation of the integrity model and function in the regions***

#### *The Peruvian Integrity Model*

A key element of the integrity ecosystem in Peru is the so-called 'integrity model and integrity function' that every public entity has to implement, regardless of the level of government. These elements were first envisioned by the Public Administration Ethics Code Law (Law 27815) of 2002 establishing that a senior



management body of each public entity shall put measures in place to promote a culture of integrity, transparency, justice and public service as provided in the Code.

Later, Legislative Decree 1327 providing protection measures to those reporting misconducts (*denuncias*), established the creation of 'Offices of Institutional Integrity' (*Oficinas de integridad institucional*, or OII) as organisational units that regularly assume institutional integrity and ethics promotion in public entities. The role of the OIIs is further emphasised in the National Plan that assigns them the responsibility to implement the integrity model, which is defined as the set of processes and policies aimed at preventing corruption and other unlawful practices in an entity.

For this purpose, the OIIs should be assigned a number of responsibilities (Box 2.2) related to the articulation and monitoring of the nine elements of the model, which are:

- commitment of the senior leadership
- risk management
- integrity policies
- transparency, open data and accountability
- internal and external control and audit
- communication and training
- complaint channels
- oversight and monitoring of the integrity model
- a person in charge of the integrity model.

### **Box 2.2. The role of OIIs according to the National Integrity Plan**

According to the National Integrity Plan and the integrity model laid out therein, the Office of Institutional Integrity (OII) shall be established with the following tasks, responsibilities and characteristics:

- The person in charge of the Integrity Model assumes the role of articulating and monitoring the components thereof.
- Depending on the size of the entity and vulnerabilities it is exposed to, the task of implementation is performed by the OII or an official who performs these functions. In cases in which the institution has an Ombudsperson, office of transparency or anti-corruption office, it could assume as well the functions of the person in charge of the Office of Institutional Integrity.
- The person in charge shall have a high-level position within the entity's organisational structure.
- Empowerment is derived from the high hierarchical level. It requires public support of senior management in the follow up function of the integrity policy.
- The functions of the person in charge shall be independent from any particular burden or interest. Therefore, the full independence of the person in charge shall be guaranteed regarding his/her actions and formulation of recommendations that he/she deems pertinent.
- It is necessary to equip the Office with the resources needed for the effective performance of his/her duties.
- The person in charge of the OII does not own the processes of the integrity model he or she shall monitor.

Source: (OECD, 2019<sup>[12]</sup>), National Plan of Integrity and Fight Against Corruption (PNILC).

*The Integrity Function, in particular, the OIIs*

Further guidance for the implementation of the integrity function is provided by the Secretariat for Public Integrity with Resolution No. 1-2019-PCM/SIP, which makes it mandatory for all the entities of the public administration as defined by Supreme Decree N° 054-2018-PCM, including regional and local governments (Article 1, Preliminary Title, Law No. 27444).

The Resolution describes the integrity function as the one aiming at:

- The implementation of the integrity model established in the National Plan.
- The development of mechanisms and instruments for the promotion of integrity.
- The observance and internalisation of the values and principles linked with the proper use of funds, resources, assets and public responsibilities.

More specifically, the integrity function consists of the following activities:

- Support in the identification and management of risks of corruption.
- Propose integrity and anti-corruption actions, as well as oversee its compliance.
- Propose the incorporation of integrity objectives and actions in the strategic plans of the entity.
- Implement, lead and manage the institutional integrity and anticorruption strategy, and oversee its compliance.
- Oversee compliance with regulation on transparency, asset declaration and conflicts of interest.
- Co-ordinate with the highest administrative authority and other departments the planning, execution, follow up and evaluation of the internal control system.
- Co-ordinate and implement the development of awareness-raising activities on public ethics, transparency, access to public information, asset declarations, conflict of interest, internal control and other subjects related to integrity and the fight against corruption.
- Receive, assess, channel, follow up and systematise complaints/reports on acts of corruption, ensuring the confidentiality of information.
- Provide protection measures to complainant or witness as appropriate.
- Guide and advice public officials concerning doubts, ethical dilemmas, conflict of interest situations, as well as reporting channels and protection measures and other aspects of the integrity policy.
- Monitor the implementation of the integrity model.
- Perform other ones deriving from the relevant legal framework.

While the implementation of the integrity function rests on the head of the entity, its exercise shall be either carried out by:

- the OII; or
- the highest administrative authority, which in turn may delegate it to a functional unit, permanent working group or public official belonging to such authority; or the human resources department. In Regional Governments, the highest administrative authority is the General Management Department (*Gerencia General Regional*), in Local Governments, the Municipal Management (*Gerencia Municipal*).

For the creation of an OII, this should report directly to the head of the entity or the highest administrative authority in order to ensure the high-level exposure and its adequate empowerment for the functions to be realised. Practically, the creation of an OII should be reflected in the Regulation of Organisation and Function (*Reglamento de Organización y Funciones*). The OIIs, or those exercising the integrity function, have also technical and functional relationships with the Secretariat for Public Integrity, which is the leading

entity of the National Integrity Policy and may adopt mandatory regulation as well as recommendations directed to them.

The resolution for the implementation of the integrity function applies to all entities. In particular, the choice regarding the organisational arrangement is left to the entity itself in accordance with the organic structure, budget resources, level of corruption risk and number of staff members dedicated to the exercise of the integrity function. These criteria apply and guide all entities, including regional governments, and they are framed generally without any detailed elaboration.

Regional and local governments have their own structural characteristics and challenges in relation to risks, structures, capacities and budget that influences the implementation of the integrity function (see the “Challenges to implementing the Integrity Model (Modelo de Integridad) in the regions” sub-section in Chapter 2). These features could be considered more closely and granularly to provide them with specific guidance on modalities to implement the integrity function coherently with their reality (see the “Setting realistic standards for the integrity advisory function in Regional Governments” sub-section in Chapter 3).

#### *Other relevant actors in the Regional governments for the integrity model*

Regardless of the modality to put it into practice, the integrity function has a pivotal role in implementing the integrity model. However, its role is firstly to co-ordinate, monitor and verify compliance with the components of the model whose responsibilities are spread among various actors within the entity.

As illustrated in a previous OECD study (OECD, 2019<sup>[12]</sup>), the body/person in charge of the integrity function advises and supports a number of units responsible for the integrity model, which are also present in regional governments:

- General Management (*Gerencia General*).
- Technical Secretariat for the Disciplinary Administrative Process.
- Attorney General Office.
- Office of Institutional Control.
- Transparency Unit/person.
- Human Resources Office.

#### *Current implementation of the integrity function and model in Peru's regions*

While the implementation of the integrity function and model at the central level is advancing in all ministries, with all of them having one or more integrity and anti-corruption units with different institutional arrangements and functions (OECD, 2019<sup>[12]</sup>), the process is still at an early stage at the regional level for a number of both structural and contextual conditions (see the “Challenges to implementing the Integrity Model (Modelo de Integridad) in the regions” sub-section in Chapter 2). According to the information provided by the Secretariat for Public Integrity as of November 2020 only six Regional Governments – Amazonas, Cajamarca, La Libertad, Lambayeque, Piura and San Martín – have appointed the body or person in charge of the integrity function (see Annex A).

More generally, initiatives related to the various components of the model are still limited and scattered across regions. For example, as of November 2020, at the subnational level, only six Regional Governments and five municipalities had adopted a code of conduct. Efforts are on-going to adopt and implement a code of conduct in Regional Governments. The efforts are also supported by a specific programme of the Subnational Programme for Public Finances Management of the Swiss Cooperation with the contribution of the OECD that provided a methodology stressing the key concept of the public officials' participation during the entire implementation process, from the assessment of the entity's integrity context (actors, perception, regulation) to the dissemination of the code itself (Basel Institute on

Governance, 2018<sup>[13]</sup>). The programme supported 6 Regional Governments and 5 municipalities in elaborating a code in such participative matters.

In this process, the following findings and challenges have been highlighted:

- Some Regional Governments did not have reliable staff databases, which made sampling difficult.
- Some public officials were not aware of their own standards because they are not always published, although they were in force.
- Low co-ordination within Regional Governments and high turnover of public officials.
- The election period in 2018 and the renewal of regional political authorities in 2019 – at the same time as municipal ones – lead to incentives to adopt codes of conduct just before and after elections (Basel Institute of Governance, 2020<sup>[14]</sup>).

Similar support has been provided by the Swiss Cooperation, again with support from the OECD, to strengthen corruption risk management, another weak component of the integrity model at the regional level, through a methodological guide (Basel Institute on Governance, 2018<sup>[15]</sup>).

### ***National actors and policies impacting regional integrity systems***

Regional governments have the mission to promote the regional economy and development within their jurisdiction; to encourage investments, and develop activities and public services in line with national policies and national and regional development plans. Main actors in the decision-making process are: 1) the Regional Council, the regulatory and supervisory body of the Regional Government with a role close to the one of the legislative branch; and 2) the Presidency, the executive body, which are also assisted by a Council for Regional Co-ordination, a consultative body integrated by the president of the region, provincial mayors of the region (60% of the Council) and representatives of the civil society (40% of the Council). In terms of competences, the regional level of government has both exclusive and shared ones (Table 2.3).

**Table 2.3. Regional Government competencies**

Sector	Exclusive	Shared
Planning and budget	<ul style="list-style-type: none"> <li>• Plan regional development and execute the corresponding socio-economic programmes</li> <li>• Formulate and approve the concerted regional development plan with the municipalities and the civil society of their region</li> <li>• Formulate the budget, then approved by National Government</li> <li>• Approve its internal organisation</li> </ul>	
Public investments and public works	<ul style="list-style-type: none"> <li>• Promote and execute regional public investments in the realms of road infrastructure, energy, communications and regional basic services. This has to be done within a framework of sustainability, competitiveness development, promotion of private investments and stimulation of markets</li> </ul>	
Economic policies	<ul style="list-style-type: none"> <li>• Design and execute regional programmes of basins, economic corridors and intermediary cities</li> <li>• Promote the creation of firms and regional economic units concerning productive and service provision systems</li> <li>• Facilitate processes oriented towards international markets for agriculture, agroindustry, craftsmanship, forestry and other productive sectors depending on potentialities</li> <li>• Develop touristic circuits that could become development axes</li> <li>• Promote the modernisation of small and medium-sized enterprises in the region, particularly articulating education, labour and technological policies</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion, management and regulation of economic and productive activities in the sectors of agriculture, fishery, industry, trade, tourism, energy, oil and gas, mining, transport, communications and environment</li> <li>• Promote regional competitiveness and employment by co-ordinating the use of public and private resources</li> </ul>

Sector	Exclusive	Shared
Urban planning, land property management and housing	<ul style="list-style-type: none"> <li>• Develop touristic circuits that could become development axes</li> </ul>	<ul style="list-style-type: none"> <li>• Land-use planning</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Promote sustainable use of forestry resources and biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable management of natural resources and improvement of environmental quality</li> <li>• Preservation and management of natural reserves and protected natural areas</li> </ul>
Culture		<ul style="list-style-type: none"> <li>• Increase accessibility and diffusion of culture and reinforce regional artistic and cultural institutions</li> </ul>
Education		<ul style="list-style-type: none"> <li>• Management of pre-school, primary, secondary and non-university tertiary educational services, taking into consideration the inter-cultural component of the region</li> </ul>
Health		<ul style="list-style-type: none"> <li>• Participation in the management of public health</li> </ul>
Citizen participation		<ul style="list-style-type: none"> <li>• Enhance and strengthen citizen participation by concerting public and private interests</li> </ul>
Others	<ul style="list-style-type: none"> <li>• Enhance and strengthen citizen participation by concerting public and private interests</li> <li>• Develop alliances and agreements with other regions that could foster economic, social and environmental development</li> <li>• Organise and approve technical cases of territorial demarcation within the region</li> <li>• Dictate norms on matters of their competence</li> <li>• Other competencies transferred by law</li> </ul>	<ul style="list-style-type: none"> <li>• Other competencies transferred by law</li> </ul>

Source: (OECD, 2016<sup>[16]</sup>).

Coherently with Peru's decentralisation model and process, a number of national actors have both direct and indirect influence on regional governments' integrity systems and policies in terms of oversight, guidance, human resources, capacity building, co-ordination, organisational structure, and control. In order to support regional integrity, it would be vital that the national actors co-ordinate their actions to exploit synergies and avoid gaps, duplication and fragmentation (see the "Promoting an enabling environment to integrity from the national level" sub-section in Chapter 3).

Key actors with direct influence on regional integrity policies include:

- The **Secretary for Public Integrity** (*Secretaría de Integridad Pública*, SIP) in the Presidency of the Council of Ministers (PCM) is the entity that governs integrity policies in Peru. Created in April 2018 by Supreme Decree 042-2018-PCM, it is the technical body in charge of conducting and supervising compliance with the National Policy of Integrity and Fight against Corruption at both the national and subnational levels as well as of developing mechanisms and instruments to prevent and manage the risks of corruption. It is also responsible for proposing, co-ordinating, conducting, directing, supervising and evaluating policies, plans and strategies, in matters of integrity and public ethics. As governing entity for integrity, the SIP provides advice, guidance, directives, rules and technical opinions as done – for example - through guidelines for developing CRAs' anti-corruption plans and implementing the integrity function at entity level. Given the SIP's role of CAN's Technical Secretariat, it is also the co-ordinating body between the Legislative and Judicial branches, civil society, private sectors, CAN members and the Executive Branch. In such role, it also has the responsibility to co-ordinate and closely communicate with the CRAs to implement the National Integrity Policy and Plan at regional level.

- The **National Civil Service Authority** (*Autoridad Nacional del Servicio Civil*, SERVIR) in the Presidency of the Council of Ministers is the specialised technical agency and ruling body of the national human resources administration system is responsible for promoting a transparent, ethical and objective performance of civil servants. Recent programmes, initiatives and activities addressing challenges in the implementation of the integrity function at the regional level include:
  - Courses on ethics in public management as well as on ethical dilemmas developed with the National School of Public Administration.
  - An ethical survey was carried out in 2018 among more than 300 public officials of 14 regions, whose results highlight a lack of spaces for ethical reflection within the entities and that the majority of officials consider that they are not sufficiently protected when they report complaints related to unethical conduct (Box 2.6).
  - Systematisation of the information related to profiles of positions and services in regional entities in view of providing management tools tailored to their population with the objective of ordering and making more efficient the organisation structure, processes and management of human resources which currently suffers several challenges.
  - Assignment of public managers selected by SERVIR to subnational entities.
  - Technical assistance for the development of human resource management tools or for the transition to the civil service regime.
  - The Civil Service Tribunal increased focus on disputes involving subnational civil servants.
- The **Multi-sectorial Working Group** (*Grupo de Trabajo Multisectorial*) presided over by SERVIR. It was created in July 2019 and consists of other institutions such as the Secretariats for Public Management and Decentralisation, the Ministry of Economy and Finances' Directorates General for Public Human Resources and Public Budget (as members), as well as the Comptroller General Office, the National Assembly of Regional Governments and public officials from the regions (as invitees). This working group was formed to design and develop guidance and capacity-building support to improve organisational and human resources management in regional governments that would respond to challenges of such entities, thereby improving the quality of services to citizenship. In particular, specific functions entrusted in the working group according are:
  - formulating proposals for the improvement of the standards on the preparation of organisational and human resource management documents of the regional governments
  - participating in the technical discussions organised for the identification of the difficulties presented by the regional governments for organisational and human resource management
  - proposing a programme to strengthen capacities in organisational and human resource management in regional governments (Ministerial Resolution N° 268-2019-PCM).
- The **Secretariat for Decentralisation** (*Secretaría de Descentralización*), also part of the PCM, promotes and strengthens multilevel co-ordination, with the objective of narrowing information gaps and asymmetries that limit territorial development. A key on-going initiative is the creation of Regional Development Agencies (*Agencias Regionales de Desarrollo*, RDAs) with the aim of strengthening the regional economy and the social capacity of the regions through the alignment of sectoral and territorial policy priorities as well as their management and implementation through the co-ordinated intervention of the different levels of government and sectors converge (Box 2.3). In particular, their functions and objectives are:
  - to organise the co-ordinated implementation of national, sectoral and multi-sectoral policy in the territory
  - to identify and develop mechanisms to develop solutions to territorial management issues that require participation of national government entities

- to identify priority policies and projects in the territory that require the participation of the executive branch and other levels of government, promoting the implementation with all relevant stakeholders
- to develop mechanisms to articulate the interventions of the executive branch with regional and local governments
- to provide technical assistance to regional and local governments to better perform their functions.

The RDAs are led by the regional governments and currently are being implemented in seven regions (Ayacucho, Cusco, Cajamarca, Apurímac, Piura, La Libertad y San Martín). However, over the long term, it is planned to establish them in all regions.

In this context, the Secretariat for Decentralisation also organises a series of meetings between the national executive branch and the regional governments, where Ministers engage bilaterally with the Regional Governors and their respective technical teams, to strengthen relations of trust and improve mutual understanding of their responsibilities. These meetings, called “GORE Executive” (*GORE ejecutivos*), touch upon the following thematic areas: investment unbundling, regulatory streamlining and development of regional territorial agendas (Secretaría de Descentralización, n.d.<sup>[17]</sup>).

### Box 2.3. Implementing a regional approach to economic development in Peru through Regional Development Agencies

The OECD has been promoting the establishment of Regional Development Agencies (RDAs) as one option to develop the needed skills and technical capacity of Peru’s regional governments based on the experience of OECD countries. In particular, the OECD recommends Peru that these agencies focus on:

- developing the skills and technical capacity of regional governments (departments) in areas such as policy development and evaluation, strategic planning, procurement, and project/programme delivery
- providing support to departments and municipal governments to better integrate strategic plans with fiscal frameworks and investment strategies
- communicating the strategic priorities of the departments to the national government, identifying opportunities for strategic alignment between departments, and ensuring these priorities inform the national budget and planning cycle
- ensuring that national policies and priorities are considered and reflected in departmental planning
- co-ordinating investments and programme delivery at a regional and inter-regional scale
- evaluating and monitoring departmental and municipal level planning to ensure plans are effective and aligned with the national system of strategic planning.

Source: (OECD, 2016<sup>[16]</sup>).

- The **Public Administration Secretariat** (*Secretaría de Gestión Pública*, or SGP) within the Presidency of the Council of Ministers is responsible for the organisation, structure and operation of the public administration, administrative simplification, management of processes, quality and attention to citizens, open government and knowledge management. It is the governing body of the National Modernisation Policy and of the Administrative System for modernising public



management. One component of this system contemplates the evaluation of management risks (Supreme Decree 123-2018-PCM), which is implemented in accordance with the guidelines and methodologies defined by the SIP and the Comptroller General's Office within the framework of their respective competencies.

- The **Office of the Comptroller General** (*Contraloría General de la República*, or CGR) is the highest authority of the National Control System. It supervises, monitors and verifies the correct application of public policies and the use of public resources and assets. In order to carry out its functions efficiently, it has administrative, functional, economic and financial autonomy. The CGR is observing members of the CAN. Its competences include controlling and supervising regional governments in a decentralised and permanent manner through regional offices. These regional offices are also observing members of the CRAs. The Office also carries out continuous monitoring of the recent Directive for the implementation of the National Control System No. 006-2019-CGR/INTEG, which has different requirements for regions. In this context, 6 regions benefitted from capacity-building activities of the Basel Institute for Governance. In line with a control strategy based on prevention, the CGR has recently initiated concurrent controls integrating its traditional strategy based on preventive controls and ex-post audit activity in view of addressing the weakness of internal controls in public institutions. (Box 2.4)

#### Box 2.4. Concurrent control model in Peru

Starting from 2017, the Comptroller General Office of Peru started to carry out concurrent controls, supporting entities through the evaluation of a set of control milestones belonging to an ongoing process, with the purpose of verifying whether they are carried out in accordance with current regulations, internal provisions, contractual or other similar provisions that are applicable to them. At the same time, they allow to identify, if necessary, the existence of situations that affect or may affect the continuity, the result or the achievement of the objectives of the process, and communicate them in a timely manner to the entity or agency to charge of the process, so that the corresponding preventive or corrective actions are adopted (Directives N° 005-2017-CG/PROCAL and N° 002-2019-CG-NORM, approved by Comptroller's Resolution N° 405-2017-CG and N° 115-2019-CG).

According to the initial assessment by CGR, the implementation of the concurrent control model shows positive results and comparative advantages associated with the use of a multidisciplinary team that applies specialised methods (scientific and technological) related to the process being controlled. In particular, it seems to increase the possibility of breaking collusion and bribery circles through systematic supervision during the milestones that are most at risk during the execution process of a public work. Furthermore, it modifies the incentive structure of public officials and private entities for engaging in illegal behaviour as well as promotes social control and significant improvements in the transparency of control and accountability, through the full publicity of control reports.

Source: (Shack Yalta, 2019<sup>[18]</sup>).

- The **Ombudsman Office** (*Defensoría del Pueblo*) is an independent institution in charge of promoting the rights of citizens and which supervises compliance with duties of the State and oversees the performance of public services. It is a member of the CAN (with voice but no vote) and, at regional level, 28 regional offices take part in the CRAs. As part of its work on corruption, the Ombudsman Office has been monitoring the activity status of the CRAs (Defensoría del Pueblo, 2018<sup>[10]</sup>) as well as on-going criminal proceedings against public officials on corruption by department (Figure 2.2).

- The **Ministry of Justice and Human Rights** (*Ministerio de Justicia y Derechos Humanos*) is responsible, among other tasks, for guaranteeing transparency and access to information as one of its Directorate General exercises the function of National Transparency and Access to Public Information Authority (*Autoridad Nacional de Transparencia y Acceso a la Información Pública*). Within the Ministry, the Tribunal for Transparency and Access to Public Information is a decision-making body with functional independence to which one can appeal to resolve any dispute related to transparency and the right to access to public information by public entities. In these matters, regional governments are subject to a number of obligations as any other public entity, including the appointment of an official responsible for access to information and transparency-related tasks (Ministerio de Justicia y Derechos Humanos, 2019<sup>[19]</sup>). Under the Ministry of Justice, the Anticorruption Prosecutor Office (*Procuraduría Pública Especializada en Delitos de Corrupción*) exercises the legal defence of the State at national level through the exercise of procedural action, the collection of civil damages and the recovery of assets in relation to corruption offences.
- The **Attorney General's Office** (*Ministerio Público*, or MP) is a constitutionally-autonomous institution of the State whose main functions are the protection of the principle of legality, citizens' rights and public interests, the representation of the State in court, the prosecution of crime and civil reparation. The MP is made up of a range of regional and supra-regional units and offices, including units dedicated to the investigation and prosecution of corruption.
- The **Judiciary** (*Poder Judicial*) is the institution that exercises and administers justice in Peru based on the Constitution and law. While the Supreme Court of Justice has competence on the whole national territory, the Superior Courts (*Cortes Superiores*) exercise jurisdiction at the subnational level in Peru, namely in its 35 judicial districts distributed amongst the 25 Peruvian regions.

In addition, there are stakeholders of Peru's public sector that – although not being directly responsible for integrity-related matters – have an impact on regional integrity systems as they co-ordinate regional leaderships, govern key corruption risk areas or have a role in strategic public policy making. These include:

- The **National Assembly of Regional Governments** (*Asamblea Nacional de Gobiernos Regionales*, ANGR) is an organisation, composed of the governors of the 25 regional governments, that promotes good governance practices, transparency and the fight against corruption; it supports regional integration initiatives and develops proposals to advance decentralisation.
- The **Ministry of Economy and Finance**, which is responsible for formulating, proposing, executing and evaluating policies, regulations and technical guidelines relating to public procurement matter;
- The **Government Procurement Supervising Agency** (*Organismo Supervisor de las Contrataciones del Estado*, OSCE), an autonomous public entity attached to the Ministry of Economy and Finance (*Ministerio de Economía y Finanzas*, MEF) that supervises the procurement process, selectively and/or randomly verifying the procedures made by the public entities while procuring goods, services or works. In the past, the OSCE carried out a Support and Follow-up Programme (*Programa de Acompañamiento y Seguimiento*), where also some regional governments took part, that aimed at promoting the improvement of public procurement management, as well as minimising frequent errors and incompliances in the processes and developing good contracting practices. Throughout the support programme, common risks observed were limited controls to detect non-compliance with the regulations, absence of standardised documents, lack of scheduling of the contracting process, insufficient knowledge, limited number of staff in the contracting bodies with OSCE-certification, insufficient training, unclear internal organisation of roles and responsibilities, and a high number of errors in applying the procurement regulations correctly. Based on these common deficiencies, the OSCE designed a new technical assistance and monitoring programme in 2020. It focuses on priority projects at the national, regional and local level overseeing the entire procurement cycle. Weekly meetings

are organised with the MEF to provide timely assistance. Technical assistance is currently provided to all twenty-four regional governments. This permanent support throughout the whole project cycle enables the identification of irregularities and integrity risks in order to mitigate them proactively.

- The **Central Purchasing Body** (*Perú Compras*, PC), which was created in 2008 – becoming operational in 2015 – to increase savings in the public procurement system by obtaining lower prices and reduced transaction costs, also in support of subnational entities and their co-ordination in purchases. (OECD, 2017<sup>[20]</sup>)
- The **National Strategic Planning Centre** (CEPLAN), also integrated within the PCM, plays a co-ordinating role between the Regions and national government insofar as it is the governing, guiding and co-ordinating body of the National Strategic Planning System, promoting the development of strategic planning as a technical instrument of government and management.

## Challenges to implementing the Integrity Model (*Modelo de Integridad*) in the regions

Ensuring that integrity policies at the national level are reaching effectively the subnational level is one of the most common challenges in establishing a coherent integrity system among the different levels of government. Weak or lack of vertical co-ordination mechanisms between the national and subnational level can lead to vacuums and threatening the effectiveness of the central integrity system as a whole. Therefore, as stressed by the *OECD Recommendation of the Council on Public Integrity* (OECD, 2017<sup>[21]</sup>), it is essential to establish mechanisms for co-operation that support implementation “through formal or informal means to support coherence and avoid overlap and gaps, and to share and build on lessons learned from good practices.”

A strong top-down approach consisting of the central level setting policies to be implemented without assessing the specific needs of the subnational level or asking for feedback from the subnational level, can further discourage subnational actors and make them reluctant to co-ordinate. It is necessary to find measures that will reinforce ownership among the subnational governments, as otherwise the strategy set at the national level will be perceived as an obligation and merely turned into a check the box exercise. In this regard, the national level also needs to undertake efforts to set incentives for the subnational level to strengthen integrity by rewarding the proactive generation of regional models and providing appropriate resources and by illustrating the wider benefits of integrity such as better return on investments, delivery of public goods and services, building citizen trust and similar (OECD, 2018<sup>[1]</sup>).

As such, the implementation of the integrity model and integrity function at the regional level depends on taking into account the specific capacities and opportunities for strengthening integrity at the subnational level. If the focus lies on the mere formal creation of the integrity model and integrity function, without assessing the context, capacities, resources and vulnerabilities to integrity and defining priorities and specific, concrete objectives that are relevant for the citizens (e.g. integrity in health or education), the model and function may exist on paper, but will hardly exercise the functions and achieve impact as expected, nor will it be understood, supported and hence “demanded” by citizens.

### ***High regional diversity stresses economic differences and social disparities***

The *OECD Territorial Reviews: Peru 2016* (OECD, 2016<sup>[16]</sup>) carried out under the OECD Country Programme with Peru shows that the main challenges facing the country’s national development stem from persistent, acute regional disparities and the over-concentration of economic activity in some territories, especially Lima, coupled with the physical isolation of other, remote regions in the south and east of the country. Coastal regions tend to have better socio-economic conditions than uplands and rainforest regions in the interior of the country. The economies of coastal regions are more diversified, with

manufacturing, commerce and services activities. The uplands and rainforest regions, which are in general more rural, are resource dependent and specialise in different mineral and agricultural commodities.

The informal sector is high across all regions. For instance, the Peruvian National Institute of Statistics (*Instituto Nacional de Estadística e Informática*, INEI) reports a level of around 72% of informal employment. The relationship between corruption and informality is complex (de Soto, 1989<sup>[22]</sup>; Choi and Thum, 2005<sup>[23]</sup>; Andres and Ramlogan-Dobson, 2011<sup>[24]</sup>), but operating in the informal sector typically result in specific corruption risks, such as bribery and extortion related to inspections in the public space or in relation to business licences. Regions may also be affected to a different degree by illegal economic activities, such as illegal mining or logging that are often related to organised crime. For example, drug-related organised crime activities are related to the areas of production and access to ports or borders from which the drugs can be exported. Lastly, illegal activities around prostitution may exist everywhere but could be concentrated in certain areas, especially in areas of small-scale and illegal mining. All these illegal activities have in common that they typically use corrupt practices to operate and turn a blind eye on prosecution. As such, the extend of illegal activities will impact significantly on the types and extend of corrupt practices in a given region.

Within these broader patterns, each region has its own particular socio-economic and ecological features, which has its distinct vulnerabilities to corruption (OECD, 2016<sup>[16]</sup>). This diversity challenges the assertion of implementing a one-size-fits-all model. Instead, the specific context should be taken into account when developing an approach to strengthen integrity at the subnational level.

### ***Decentralisation is a work in progress***

Decentralisation can address the issue of large-scale distrust in the government. With empowerment at the subnational level, citizens potentially can become involved in the deliberative processes, while public officials can be held accountable for the end results and benefits of their actions. However, a lack of integrity at the subnational level is a major risk for the decentralisation reforms as they lead to a transfer of resources and decision-making power.

Since 2002, Peru has advanced in terms of political and administrative decentralisation, with the election of regional governments and the transfer of significant responsibilities to the subnational level. However, the process is ongoing, with fiscal decentralisation remaining limited, as well as the degree of decision-making autonomy.

For example, regional Governors have decision powers related, for instance, to the planning and execution of socio-economic projects and promoting and implementing regional public investments in road, energy, communication and basic services infrastructure projects. But the governors still rely on approval from the central level for many key decisions. Similarly, the process has not been accompanied by fiscal decentralisation measures such as changes to tax and transfer arrangements. Lastly, there is no coherent strategy to increase skills, capabilities and oversight at the subnational level thereby affecting the implementation and operationalisation of the National Integrity Policy at the regional level.

This situation, coupled with overlapping responsibilities and competencies between levels of government and limited levels of horizontal and vertical co-ordination, has prevented the country from gaining the benefits associated with decentralisation (OECD, 2016<sup>[16]</sup>). Mainstreaming integrity throughout decentralisation policies helps to strengthen institutional capacities, which in turn contribute to effective policy implementation. At the same time, it is crucial to address the challenges in the decentralisation process (Box 2.5), as they hinder the effective implementation of national policies (including on integrity).

### Box 2.5. Peru's key decentralisation challenges

Peru has come a long way in certain aspects of its decentralisation process. The levels of competencies and expenditure responsibilities of subnational governments are in many aspects similar to those of OECD countries.

Despite the progress in recent years, an OECD report from 2016 (OECD, 2016<sup>[16]</sup>) highlighted how certain features of Peru's decentralisation process were limiting its possibility to unleash the full potential of decentralisation overall:

- Competences and responsibilities are not clearly defined between the levels of government.
- Within the decentralisation framework, there are several overlaps in competencies as well as a limited definition of the particular responsibilities assigned to each level of government.
- There is a misalignment between responsibilities allocated to subnational governments and the resources and capabilities available to them, which generates a systemic problem in relation to the inability to properly execute tasks and responsibilities, lack of accountability for outcomes and can leave subnational governments highly dependent on national level transfers.
- The decentralisation process was too quick in transferring responsibilities to subnational governments that did not necessarily have the human and institutional capacity to take on those responsibilities.
- There is a lack of effective mechanisms and incentives to co-ordinate policies and investments at a subnational level. These co-ordination failures appear at all levels of government, both horizontally and vertically.
- Policies are delivered on a sectoral basis with actions that may contradict one another at the local level. Co-ordination, rather than fragmentation, is a more binding constraint in relation to the delivery of better public policy outcomes.
- Subnational governments strongly depend upon transfers as a source of income. Transfers are mostly earmarked or consist of deconcentrated expenditures, limiting the autonomy of subnational governments, and particularly regional governments, to adapt policies to local needs and circumstances.
- There are limited incentives and capacity to develop tax revenues at a subnational level. Revenues of subnational governments strongly fluctuate and the central government has a certain degree of discretion in the allocation of resources. Subnational tax revenues are important in decentralised countries to improve policy outcomes, improve expenditure efficiency and accountability.
- The distributional system of the fiscal income from extractive industries (or the *canon* in Spanish) is designed to primarily compensate producing regions for the depletion of natural capital.
- The absence of stabilisation and equalisation funds has generated significant vertical and horizontal fiscal imbalances and inequalities between regions.
- The lack of effective integration between planning and resource allocation, and programme-based budgeting instruments coupled with a misalignment of incentives (political and administrative) has led to the production of suboptimal and fragmented investments. This is exacerbated by the prominent role of municipalities in allocating funds from mining royalties (the *canon*).
- The delivery and administration of policies, planning and regulatory instruments, and investments are not consistently monitored and evaluated at a subnational level.

- Public policies are not consistently implemented and there is a wide variety of performance between different subnational governments.
- The skills and capabilities of the public sector at a subnational level are generally low, and there is a lack of coherent strategy to address this issue.

Source: (OECD, 2016<sup>[16]</sup>).

### ***Political leadership and senior civil servants have a low degree of ownership for integrity***

One of the key principles set out in the *OECD Recommendation of the Council on Public Integrity* and the Peruvian Integrity Model is the commitment and leadership by the top-level management. Leaders are expected to be effective public managers, capable of steering their teams, inspiring their workforce, and setting an organisational culture that promotes innovation while reinforcing public sector values, including high standards for integrity and ethics.

In light of these responsibilities, leaders' roles in promoting and actively managing integrity in their organisations cannot be underestimated. Leaders assign resources to integrity systems, designate them as organisational priorities, oversee their co-ordination and integrate them into the core of their organisational management. Without committed leadership, integrity systems cannot deliver their intended impact. Moreover, by setting a personal example, leaders are a core ingredient to establish and reinforce an integrity culture in public sector organisations (OECD, 2020<sup>[25]</sup>).

Political will at the subnational level responds to its own incentives with specific dynamics of power that crucially depend on the decentralisation arrangements as well as the gaps and inconsistencies in the implementation of the desired model. (Box 2.5) In Peru, for example, the formal attribution of powers to subnational entities is inconsistent with the fact that key decisions are taken at the central level in aspects such as budget definition and allocation. In this context, reform incentives and the "business case" for integrity tend to be formulated nationally, as it has been the case for the integrity model and functions. However, winners and losers of reform are also found at the subnational level, and the subnational government authority political calculus has little to do with incentives for reform at the national level, and instead are directly connected with its immediate context such as the regional political cycle or the demand from Regional Council and local civil society.

Interview in preparation for this report revealed that the majority of the senior leadership at the regional leadership have a limited awareness of the benefits and reach of the integrity model and functions. As such, they have and perceive very limited incentives to embark on integrity reforms other than complying with the obligations set at the national level. Furthermore, the term limit for governors may generate limitations in the capacity and willingness to embark on long-term integrity reform and for building on integrity reforms undertaken by previous officeholders.

### ***Ensuring integrity in regional politics***

Participating in public life and influencing public policies are fundamental rights in a democracy. Inclusive public policies and decision making based on integrity, participation and transparency legitimise and make policies more effective, building citizens' trust in their governments (OECD, 2017<sup>[26]</sup>). However, powerful individuals and interest groups can use their wealth, power or advantages to tip the scale in their favour at the expense of the public interest. When public policy decisions are consistently or repeatedly directed away from the public interest towards the interests of a specific interest group or person, policies are captured.

As emphasised in the *OECD Integrity Review of Peru*, the risk of policy capture through the funding of political parties and election campaigns is perceived as prevalent in Peru (OECD, 2017<sup>[6]</sup>). In particular, challenges emerge in relation to private funding, especially in the form of contributions that are then repaid by assigning public contracts and that in some cases come from dubious sources such as persons likely linked to illegal economies and organisations. One example mentioned in that study that is relevant for the regional context suggests that some powerful private sector organisations in the extractive industries have direct access to senior government officials and exert influence over the public decision-making process through a number of channels, most notably through the funding of political parties and election campaigns.

Furthermore, the integrity of regional politics is undermined by the weakness of local political parties and the emergence, in parallel, of short-lived regional movements consisting of “coalitions of independent candidates” (*coaliciones de independientes*). These movements favoured the emergence of candidates who had resources and visibility to finance and support their own campaign. These dynamics also have led to regional policies often aiming at short-term benefits and weakened political discussion on strategic issues such as territorial development. The coalitions further led to the disappearance of parties’ accountability mechanisms. At the same time, this situation has promoted the success of *caudillos* creating parties based on clientelism and patronage (Mujica, Melgar and Zevallos Trigo, 2017<sup>[27]</sup>; Vega Luna et al., 2018<sup>[28]</sup>).

### ***Budget constraints undermine the effective implementation of integrity policies and measures***

Among the challenges posed by decentralisation, there is a mismatch between the spending responsibilities assigned to the regional governments and their revenues. Currently, responsibilities transferred to subnational governments are mostly financed by national government transfers. Regions have no taxing capacity, in contrast with provincial and district municipalities. As such, and confirmed by the OECD interviews held in preparation for this report, many regional governments perform their functions in the context of limited budgets. The majority of the expenditures of regional and local governments is spent on staff expenditures (in 2019, 38.5%).

Experience among OECD countries proves that in order to fully implement the functions generally associated with an Integrity Unit, adequate resources need to be assigned (OECD, 2019<sup>[12]</sup>). However, in a context of limited financial resources, it will be challenging for regional governments to assign the necessary budget to ensure a fully functioning integrity function.

### ***A high degree of staff turnover hinders the development of capacities***

Human resources management and workforce planning in subnational governments, notably to attract and retain a critical mass of well-trained, highly competent civil servants in regional administrations, are key to improving integrity. In Peru, as in OECD countries, building sufficient capacity and professionalism in subnational government is central to ensuring that they are able to meet their responsibilities and contribute to a culture of integrity. The incomplete decentralisation process in Peru is however also reflected in low salaries and in the weak institutional capacity and organisation in many of its regions. As a result, challenges in human resources present at the national level are magnified at the regional level (OECD, 2016<sup>[29]</sup>; OECD, 2017<sup>[6]</sup>).

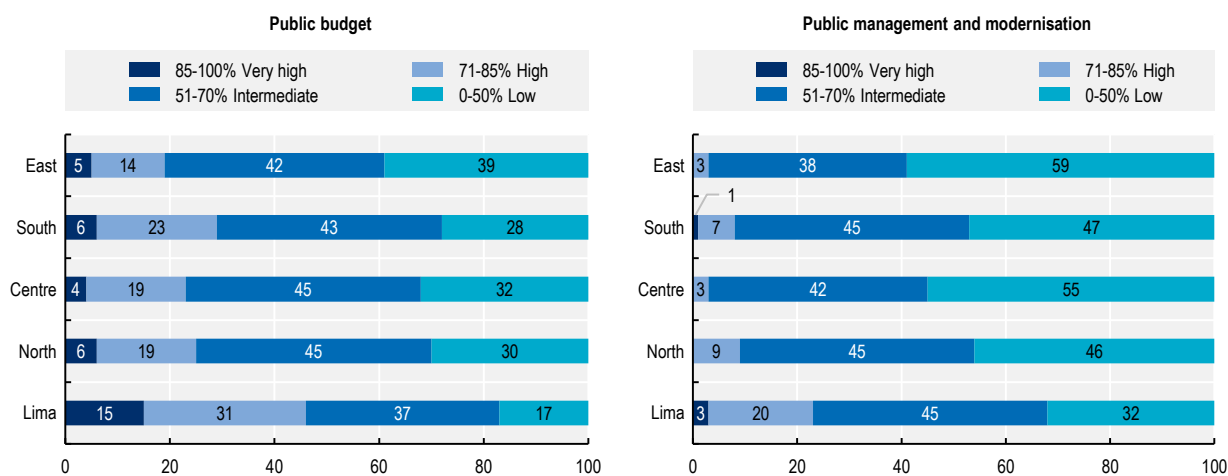
Peru’s subnational governments appear to be facing, to a large extent, similar challenges and opportunities to enhance the capacity and capability of their internal workforce. In 2018, 55% of Peruvian public sector employees are located at the subnational level (42% at the regional level and 13% at the municipal level) and approximately 45% at the national level, excluding public employees working for the judiciary, the legislative or constitutionally autonomous bodies (*Organismos Constitucionales Autónomos*).



The OECD interviews in three selected regions confirmed that with every change in political mandate, the regions experience an extensive staff turnover in their public administrations. While the discretion to recruit and dismiss regional staff by local authorities is part of the decentralisation process, it entails risks for the stability and professionalism of the workforce. An assessment of the civil service knowledge of SERVIR identified generally low knowledge of public servants in the areas of public budget, and public management and modernisation. In addition, knowledge among civil servants is higher in Lima than in the rest of the regions, and particularly with the more isolated regions, the East, where the state is less present (Box 2.6)

To address these risks, starting from 2020 the human resources department of national and regional entities need to illustrate the needs and request a favourable opinion from SERVIR prior to contracting according to the Administrative Services Contract's regime (*Contrato Administrativo de Servicios, CAS*) (SERVIR Resolution 168-2019-SERVIR-PE). In this context, SERVIR should advance the plan to set up a digital platform to track HR processes across the country, which could also play an effective role in ensuring meritocracy and mitigating some of the integrity risks in the contracting of personnel at the regional level. As pointed out in the OECD Integrity Review, when effective controls and safeguards are not in place, this can create opportunities for corrupt employment practices (OECD, 2017<sup>[6]</sup>) and undermines the capacities and knowledge of the civil service (OECD, 2016<sup>[29]</sup>). In this respect, SERVIR has been working on the design of an HR platform (*Plataforma del Portal Talento Perú*) since July 2020 and plans to launch the first version in December 2020 featuring the processes related to hiring and renewing contracts, with the aim to progressively integrate all other processes of the Human Resource Management Administrative System (*Sistema Administrativo de Gestión de Recursos Humanos*).

**Figure 2.6. Peruvian civil service knowledge of public budget, and public management and modernisation**



Source: (OECD, 2016<sup>[29]</sup>), based on information provided by SERVIR.

Supporting the implementation of integrity within the government, requires public servants who have a specific knowledge of integrity and anti-corruption measures and experience in promoting these throughout the public administration. According to a perception survey conducted by SERVIR in 14 regional entities, this is a challenge in Peru where the majority of interviewed officials (63%) have declared not to have attended any ethics-related activity (Box 2.6).

Given the limited degree of overall capacities and knowledge of the civil service, coupled with a high degree of rotation, the process of recruiting civil servants capable of fulfilling the integrity function could prove difficult. Similarly, a high degree of turnover within the integrity function hinders the effective implementation of integrity policies. In order to adequately fulfil the mandate, the civil servants responsible

for integrity need to possess a good knowledge of the processes, previous measures and overall strategy for strengthening integrity in the regional government. In this way, long-term and forward-looking strategies could be implemented (OECD, 2016<sup>[29]</sup>).

It is, therefore, essential to ensure measures to attract and retain a more professional and well-prepared staff at the subnational level – including through adequate contractual arrangements and competitive compensation schemes - to guarantee a degree of administrative stability and avoid the transfer of more skilful officials to national entities (so called brain-drain). In addition, efforts should be made to ensure meritocracy processes and mitigate the risk of high staff turnover within the integrity function. This contributes to ensuring a good transition and that administrative procedures and management are stable and sustainable beyond a single electoral mandate (OECD, 2016<sup>[29]</sup>).

In this context, SERVIR and the Decentralisation and Public Management Secretariats also play a key role in so far as they support capacity building for recruitment procedures, but also train subnational public employees. The co-ordination with the SIP regarding integrity in human resources is essential. In turn, both the fairness of the process and the possibility of growing professionally at the local level may be incentives for public officials to consider the development of their careers in regional or municipal governments.

### ***Low degree of integrity policy implementation***

Overall, the implementation of integrity policies at the regional level, in particular those connected to the various components of the model, are still limited and scattered across regions. As detailed above the implementation of codes of conduct has been limited throughout the regions (see the “The implementation of the integrity model and function in the regions” sub-section in Chapter 2). The results of a survey on ethical climate among regional officials conducted by SERVIR pointed towards – among other findings – a perception of a low degree of implementation and application of the conflict of interest and whistleblowing policies (Box 2.6).

#### **Box 2.6. SERVIR’s survey of regional public officials’ perceptions of the ethical climate**

Throughout 2018, SERVIR carried out a survey among 317 public officials from the regions of Amazonas, Ancash, Arequipa, Cajamarca, Cusco, La Libertad, Lambayeque, Madre de Dios, Moquegua, Piura, Puno, San Martin, Tacna and Tumbes. The survey consisted of 30 questions divided into five blocks that sought to measure the perception of public officials with respect to five dimensions of the public entities’ ethical climate, namely: (i) Ethical training; (ii) Value system; (iii) Strategic management; (iv) Corruption risks; and (v) Conflict of interest.

Findings of the report include that the majority of respondents do not find spaces for ethical reflection within their entities and would welcome such opportunities to discuss and reflect on ethical issues or dilemmas or ethical issues. The report also pointed out the need to further implement the integrity function in public entities since 80% of respondents declared that there is no area in charge of integrity in their entity. Weakness in the “openness” of regional entities’ organisational culture emerges from the results that public officials consider not reporting possible misconducts as the safest option not to get into trouble. Similarly, the majority of public officials are not aware of the process for reporting cases of corruption and misconduct and feel that there is no sufficient protection for those who choose to report. The conflict of interest policy is also perceived as not applied in practice by leadership as there is a widespread perception that gifts or other favours are given more often to senior management than to other public officials. In terms of risk areas, the highest one identified by respondents is by far public procurement (76%), followed by the granting of permits and licenses (11%).

Source: (SERVIR, 2020<sup>[30]</sup>).

With regards to conflict of interests, interviews held in preparation for this report confirmed that there is very limited knowledge among civil servants at the regional level on their management. So far, there have been no efforts made by regional governments to implement awareness-raising campaigns on how to identify and manage conflict-of-interest situations. This leads in many cases to an environment in which instead of proactively identifying a conflict-of-interest situation, public servants will not come forward out of fear of having committed a corrupt act.

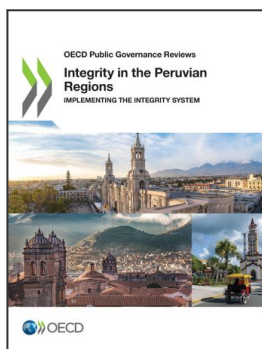
Concerning whistleblower protection, the provisions of the whistleblower protection instruments (Law No. 29542 and Legislative Decree 1327) have not been implemented effectively and there is no strategy for communicating about it or evaluating results. In the majority of cases at the subnational level, government actors will be more intimately connected to the citizens. An effective strategy to implement a whistleblower policy needs to recognise that the close proximity of the whistleblowers to the corrupt actors may increase the risk of retaliation. Accordingly, the possibility of anonymity and protection from retaliatory actions are potentially even more important at this level. While some regions have implemented a mobile app to facilitate reporting or – as in the case of Lambayeque – have provided the possibility to request protection, major constraints are the limited protections available for public servants who have reported misconduct. Coupled with low trust in the procedures, this discourages potential whistleblowers from coming forward.

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