Chapter 2.

The centre of government in Peru

This chapter focuses on the centre of government (CoG) in the government of Peru, the institutional arrangements mandated to support the Head of Government and the Council of Ministers in exercising their stewardship over strategic decision making. The chapter builds on OECD experience in this area and underlines a shift from a primary administrative support function for the CoG to a position as strategic player with important responsibilities to foster vision, leadership and innovation across the public sector. The chapter concludes with a set of recommendations to strengthen the CoG.
Introduction

This chapter focuses on the centre of government (CoG) in the government of Peru, the institutional arrangements mandated to support the head of government and the Council of Ministers in exercising their stewardship over strategic decision making. In all countries, the CoG plays a key role in leading and co-ordinating the steering, implementation and performance monitoring of national strategic policy and budgeting at the executive level.

There is growing interest in the Latin American region on the role of the centre of government and how it works. The role of the CoG is closely linked to the role of the executive branch itself. The CoG seeks to lead co-ordination government-wide to harness the resources of the state to support the heads of government and of state in their pursuit of a strategic vision for the country and a mission to execute a mandate from citizens obtained through the democratic process to implement this vision.

The CoG’s mission is to provide leadership in defining national strategy, address co-ordination challenges to overcome administrative silos across the government in setting and implementing strategy in a way that fully respects the country’s fiscal framework, and promote whole-of-government approaches to defining and pursuing multi-dimensional responses to the complex policy challenges facing the country. Indeed, many of the challenges that governments face are transversal and multifaceted: they require responses that need to be crafted in a way that involves multiple public institutions and overcomes institutional and functional boundaries to achieve integrated policy outcomes effectively and efficiently and deliver results for people and businesses.

Despite differences between countries with regard to constitutional forms and administrative tradition, strong similarities exist with respect to the functions carried out by the CoG: facilitating the decision-making process by government, and in particular by the head of government, and overseeing the quality of the policy cycle, from policy development to implementation; from setting objectives and targets to monitoring and evaluating performance against results and outcomes.

Clearly defining and communicating the roles of CoG institutions, internally across the public administration and externally to civil society, is essential for enhancing the effectiveness and efficiency of co-ordinating public policy design, implementation and performance monitoring; this can boost the legitimacy of the government and its national strategy, and bolster public confidence and trust in the institutions of the state.

OECD experience suggests that the top priority tasks of the CoG are (OECD, 2014a):

- supporting decision making by the head of government, which in almost all countries involves blending dual streams of political and non-partisan policy advice
- policy co-ordination across government, which increasingly includes leading cross-departmental priority strategies
- monitoring progress in implementing reform, which means developing new mechanisms that emphasise outcomes rather than just tracking outputs and expenditures
- strategic planning, which is being redefined post-crisis as driving whole-of-government policy development and resource allocation
- managing government communications and its communication strategy
• managing relations with the legislature
• preparing the government’s multi-year programme, national strategy or development plan.

CoG structures vary significantly across OECD countries. The make-up depends on a given jurisdiction’s historical development, cultural context and constitutional framework. However, in most countries, the CoG is, in fact, polycentric, given its functional multiplicity. Indeed, OECD experience suggests that few if any countries possess a single institution covering all these functions (Box 2.1).

Box 2.1. The structures of the centre of government

It is rare to find just one institution covering all these functions in OECD member countries. It is far more common that a small set of key players share the task. Centre-of-government structures across OECD member countries vary significantly, depending on the historical development, cultural context and constitutional framework of a country. While not all the institutions are located under the direct purview of the executive, they may be considered to carry out key strategic functions for the government as a whole. In many countries, however, they can be identified in a combination of those units of the central administration that:

• **Provide direct support to the head of the government** (Prime Minister/President/ Chancellor’s Office). In many countries, however, these offices are not equipped, and do not seek, to cover the whole of the centre-of-government function. They need the capacity to protect the authority and reputation of the Prime Minister/President “above the fray”, without becoming too involved in the day-to-day management of specific policies. They may also consider their role to be more political than technocratic. They are often, however, the communication hub for government policy, and their usual role in managing the agenda of the Cabinet provides them with the key authority to set priorities for the attention of the Prime Minister/President.

• **Manage the budget.** This is normally vested in the Ministry of Finance. The budget can be viewed as key to understanding the government’s fiscal framework and its financial operating systems. It is a key allocative document affecting a significant share of a country’s GDP – over half in some OECD member countries. It is an important policy tool, used by governments to establish policy priorities in concrete terms through the allocation of funding. It is an important management document, in that the basic operational costs of government ministries and agencies are established. In short, the budget provides the basic operational architecture for the work of government. In some countries such as the United States, this function is located within the President’s Office.

• **Responsible for key horizontal policies** including public administration reform and central HR policy, co-ordination of law drafting and better regulation policy, and e-government. This usually involves ministries such as the Ministry of Public Administration Reform, the Ministry of Finance, the Ministry of the Interior and the Ministry of Justice, although in a number of countries parts or all of these functions are located in the Prime Minister’s Office.

• For EU member countries, the participation of any dedicated **EU oversight unit for the negotiation and implementation (transposition) of EU directives** is essential, since these play a major part in shaping the legislative and policy landscape of member countries.
Box 2.1. The structures of the centre of government (continued)

- **Emergency and crisis management.** In most countries, a crisis management cell exists within the centre of government, and the functions of co-ordinating emergency measures are often located within a Cabinet office or its equivalent for the major crises.

  Some of these units or institutions need to co-ordinate especially closely (or be the same unit):
  - There is a crucial interface between regulatory policy and the management of the Cabinet agenda, since a well-functioning regulatory policy implies the development of regulatory impact assessments (RIAs) on draft legislation. In countries where policies are usually synonymous with laws, the unit responsible for RIAs needs to work closely with (or be the same unit as) the unit that sets the Cabinet agenda.
  - There is also a crucial interface between HR management and budget management, in that performance budgeting and staying within fiscal targets implies staying within budget for HR managers.

*Source: OECD Public Governance Reviews.*

In most countries, the CoG functions as a central leadership hub, directly supporting the head of government as well as the Cabinet in exercising its responsibilities for setting and executing whole-of-government strategy, including defining and managing the country’s fiscal framework and budget, government operations and administration including workforce management, government relations with regional and local authorities, justice and security matters, and advancing the country’s strategic interests on the international stage (Box 2.2).

Box 2.2. The functions of the centre of government

The key function of the centre of government (CoG) is to act as a central leadership hub in order to facilitate co-ordination, collaboration and co-operation across the public administration, with the objective of securing a strong, coherent and collective strategic vision of where the country needs to go and how it will get there. Leadership is needed to champion and promote reforms, and to generate and manage interdependencies across the administration so that collaboration is the default option, not the exception. Leadership is also needed to change the way in which the public administration conceives its role and to encourage widespread “buy in”, so that the strategic vision for a country is implemented. An effective centre of government is critical for:

- **Strategic vision.** The centre of government needs to be able to pull together long-term, big picture objectives for the economy and society. Examples might be an objective to minimise poverty and unemployment, to promote a sustainable environment, or to diversify the basis of economic activity in support of growth. These objectives both shape and reflect public sector and societal values. Constitutional requirements and objectives are likely to be relevant. The vision needs to be owned and promoted by all parts of the public sector, as a “whole-of-government” vision.

- **Accountability.** The centre of government is the steward of the strategic vision. It is accountable for overall results and oversight of delegated responsibilities. It is important, however, to avoid overly rigid “command and control” structures and micro management, and instead to work toward a system where the centre of government can exert effective oversight and clarify lines of accountability. Line ministries also need to exercise leadership for the actions and policies for which they are responsible, within the overall framework of a shared or collective commitment.
Box 2.2. The functions of the centre of government (continued)

- **Strategic planning, policy coherence and collective commitment.** The centre of government needs the capacity to give the strategic vision specific shape, to secure its coherence and to make it operational. A starting point is likely to be the government programme or equivalent, giving effect to the political manifesto of the party or parties in power. Making the strategic vision operational is key, otherwise the vision is a “dead letter”. The doctrine of collective responsibility is crucial to bind line ministries as well as the centre of government to a course of action. Collective commitment is also, crucially, built, developed, discussed and agreed by the whole range of actors that are engaged in public policy making, implementation and service delivery.

- **Communication.** The centre of government needs the capacity to communicate the strategic vision, how it is being taken forward and its implementation. Transparency and openness help to promote a shared sense of purpose, for stakeholders outside as well as inside the government. Clarity of communication within the administration is important, so that, for example, local governments can understand the vision and share in its construction and so that all parts of the public sector understand their role, responsibility and accountability for results.

The sustainability of the centre of government across political cycles needs attention. CoG institutions are best constructed, as far as possible, to withstand the vagaries of the political cycle and to be sustainable over the periods of time that it takes to implement long-term strategies. Stability of core functions and structures will raise confidence that the vision is taken seriously, and that the country will have the institutional capacity, over time, to carry out the vision. In this respect, a number of countries involve a certain level of foresight attached to the centre of government, in the form of a strategic foresight or planning body, which helps to project a forward-looking vision for the country.

Although not a direct function of the CoG, external oversight and audit help to ensure that the strategic vision and its implementation stay on track and that the centre of government – together with other actors – is accountable for progress, and can be challenged for the lack of it. In many European countries, the national audit office provides valuable independent perspectives not only on the efficiency but also the effectiveness of government policies. For the development of new laws and policies, some European countries have established external watchdogs (made up of stakeholders external to the government) to advise on, and challenge, proposals if these have not been developed with due care and attention.

Last but not least, the first line of engagement of an effective centre of government is to project and share policy priorities in key areas with the relevant ministries, and to ensure that these policy priorities are coherent and joined up. “Joined up government” – the capacity to ensure that complex policy objectives can be met, and that the achievement of high-level policy goals are not undermined by a failure to deal with this complexity – is often weak. Ensuring policy coherence is a major public governance challenge across all OECD member countries. A united position on cross-cutting policy goals is essential if governments are to sustain their credibility, meet their strategic objectives, and if goals are to be achieved without wasting resources. It does not serve the public interest if one part of government fails in its role in policy delivery; and it is directly contrary to the public interest if one action of government is counteracted or undermined by an action taken by another part.

The Peruvian context

As described in Chapter 1, Peru is a democratic republic with a unitary state, governed by the principle of separation of the branches of powers, which, according to the Constitution, comprise the executive branch, the legislative branch and the judicial branch. The executive branch’s public administration is made up of the central government, represented by the President of the Republic and 19 ministers, 25 regional governments and 1,866 local governments (196 provincial municipalities and 1,671 district municipalities).

The executive branch is responsible for the administration of the state. Its main functions are to:

- regulate laws, monitor and evaluate their implementation and compliance
- plan, implement and evaluate national and sector policies in accordance with state policy
- establish relationships, seek consensus, provide technical assistance and develop mechanisms for co-operation among all public administration entities
- implement co-ordination with regional governments and local governments, with an emphasis on shared competencies.

Despite significant progress in the economic and social development of the country, negative perceptions of Peru’s institutions among the population remain high (Figure 2.1). Public institutions are perceived as ineffective in achieving their goals, non-transparent in how they act and unaccountable for their results. Confidence in institutions is a key pillar of the governance dimension in the OECD well-being framework.

Figure 2.1. Confidence in the national government

Source: Gallup World Monitor Database, 2015.

One of the main challenges identified by the Peruvian government is to improve its ability to provide effective, efficient and transparent quality public services, in accordance with the needs of citizens, creating conditions that lead to greater and more inclusive economic and social development. However, evidence suggests that past efforts to improve the government’s ability to provide quality public services were pursued in isolation, outside of any whole-of-government strategic framework or guidance from the centre. Indeed, intergovernmental and cross-sector co-ordination within the Peruvian government is apparently scarce, difficult, expensive and ineffective. Existing co-ordination
mechanisms show limitations in their legal design; no consensus exists across the system regarding their utility or their use. As a result they remain ineffective in practice. Administrative systems and organisations act independently, without taking into consideration the regulations of other management systems. This siloed pursuit of policy agendas has not generated expected results for the achievement of objectives.

**Legal framework**

Under the principles established in the political Constitution, the executive branch’s powers are regulated by Organic Law 29158 passed in 2007. It established “(...) the principles and basic rules for the organisation, competences and functions of the executive branch, as part of the national government and the requirement that the entities comprising it will adapt to these new rules, considering the principle of citizen service, thus deepening the process of decentralisation and modernisation”.

This law also created the Public Management Modernisation System and stated that the executive branch has the supervisory role to implement and manage it. The Presidency of the Council of Ministers (PCM), the government’s main CoG institution reporting to the head of government and serving the head of government and Cabinet, is responsible for co-ordinating and directing the process of modernisation and defining and evaluating proposals for improvement.

It was within this process of government reform that in September 2010, the Strategy for Modernisation of Government Management was approved by Supreme Decree No. 090-PCM:3 “(...) it was established as a generic strategy, the undertaking of a transformation into an orderly, gradual and well-controlled governance model developed by all entities of the Peruvian government, which implies moving from a functions-driven management model to a processes-driven management model.”

**The executive branch**

The institutions of the executive branch (*Poder Ejecutivo*) are the President of the Republic, the Council of Ministers, the PCM, the ministries and the executive branch’s public entities.4 The Ministry of Economy and Finance (Ministerio de Economía y Finanzas, MEF), *inter alia* custodian of the country’s fiscal framework, and the PCM constitute the core of the CoG in Peru:

- The President of the Republic: as is the case in some OECD countries – in France, for example – the President is simultaneously the head of state and head of government in Peru. His/her main responsibilities as head of state are, *inter alia*, to apply and enforce the Constitution, represent the state, and direct foreign policy and the army. Law 29158 on the Executive Branch establishes the President’s main functions as head of government:
  - direct and approve general government policy
  - initiate legislative actions, on approval of the Council of Ministers
  - proclaim laws approved by parliament
  - manage the public finances with responsibility and transparency
  - approve urgent decrees
  - nominate senior officials
  - speak in the name of the government.
• The Council of Ministers: the Council of Ministers, or Cabinet, is composed of ministers appointed by the President. Within the framework of the Constitution and the Organic Law on the Executive Branch, its powers include:
  − co-ordinate and evaluate the government’s global policy, as well as the approval of national, single- and multi-sector policies
  − approve regulations on issues of public interest
  − promote the development and welfare of the population.

• The President of the Council of Ministers: the PCM is responsible for the co-ordination of the national and sector policies of the executive. The PCM, after the President, is the government spokesman and co-ordinates the duties of the other ministers. Although not head of government under the Constitution, the President of the Council of Ministers in practice plays the role of a Prime Minister as co-ordinator of government decision making undertaken by the Council of Ministers. In accordance with the Organic Law on the Executive Branch, the President of the Council of Ministers proposes the objectives of the government within the framework of the general policy of the government. His/her main functions are to:
  − support the President of the Republic in the management of the global government policy
  − chair the Council of Ministers meetings whenever the President of the Republic is absent
  − develop and manage relationships between the executive and the other branches of government, constitutional agencies, other levels of government and civil society
  − promote social participation and consensus in public governance on issues of national interest
  − co-ordinate the strategic planning under the National Strategic Planning System
  − chair the Intergovernmental Co-ordination Council, comprising the presidents of the country’s regional governments and a representative cross-section of mayors, in order to strengthen the decentralisation process (see Chapter 4).

• Ministries: ministries design, establish, implement and monitor national and sectorial policies, assuming their supervision. Ministries are headed by ministers who are responsible for the direction and management of public affairs within their jurisdiction. In this regard, the executive branch is composed of 19 ministries, of which 18 are sectorial and 1 is the PCM. Some of their main functions are to:
  − Define, plan, co-ordinate, implement, monitor and evaluate national and sector policy under their jurisdiction, applicable at all levels of government.
  − Comply with and enforce the regulatory framework related to their field of competence.
  − Monitor, evaluate and otherwise follow up on their portfolio’s performance and achievements at the national, regional and local levels.
  − Co-ordinate with regional and local governments to implement national and sector policies under their responsibility, and assess compliance.
− Provide technical support to regional and local governments for the proper performance of decentralised functions. This is to be performed using the guidelines of the Decentralisation Secretariat of the PCM.

The MEF is head of a core constituent institution of the CoG in Peru and, either alone or in partnership with the PCM, works closely with all line ministers and ministries to implement the national budget and its associated programming. The MEF is described in greater detail below, as well as in Chapter 3.

The National Agreement Forum

The National Agreement Forum (Acuerdo Nacional) was created in 2002 as an autonomous forum by Supreme Decree 105-PCM. This national forum was established to consolidate democracy through national dialogue. It focuses on broadening and deepening consensus on a non-partisan vision for the country to anchor political stability and achieve sustainable inclusive growth. Although not part of the executive branch, the forum involves the participation of the President of the Republic, the President of the PCM, seven political parties represented in the Assembly and seven national civil society organisations. According to the Technical Secretariat of the National Agreement Forum, most of the national policies approved by the executive branch are based on the forum’s state policies.

Dialogue at the forum focuses on the following thematic areas, based on consultations and workshops, in order to identify broad directions for the course the country should follow to achieve sustainable development and democratic governance. These themes are:

- democracy and rule of law
- equity and social justice
- national competiveness
- an efficient, transparent and decentralised state.

The forum also monitors and oversees the implementation of state policies. Each of the 34 state policies in the National Strategic Plan has goals, indicators and proposed regulation up to 2021. The two latest monitoring reports on the National Agreement’s website date from 2008 and 2014.

The report from 2008 had a more quantitative approach, including statistics and different indicators. In 2014, the report contained more than 100 testimonies and comments from stakeholders and political figures, such as Peru’s former presidents and previous heads of the PCM. Participants were invited to give their opinion on the relevance of the National Agreement in the political scene of the country, as well as its weaknesses and upcoming challenges.

This forum has a tripartite composition: it includes representatives of the government (ad honorem), the political parties represented in Congress and organisations representing civil society at the national level. The forum has an Executive Secretariat, attached to the Presidency of the Council of Ministers. A 2015 publication summarised the achievement of this forum in its first dozen years of existence.
The centre of government in Peru

The Presidency of the Council of Ministers

The CoG unit serving the President of the Council of Ministers and Cabinet is the Presidency of the Council of Ministers (PCM). The PCM houses a large number of public entities, secretariats and commissions. It also manages different line agencies and various public entities. In addition, it oversees special commissions created to address specific issues.

The PCM is composed of offices that are formally part of the PCM (such as the secretariats), and 16 arm’s-length public bodies (such as the National Directorate of Intelligence [DINI], the National Civil Defence Institute [INDECI] and the National Institute of Statistics and Informatics [INEI]). Out of this large number of secretariats and public bodies that make up the PCM, only seven play key CoG functions:

- The Co-ordination Secretariat co-ordinates and monitors the implementation of the government’s multi-sector policies, programmes and projects according to Article 26 of the Organic Law of the Executive Branch (No. 29158) and to Articles 4 and 6 of Ministerial Resolution No. 251-2013-PCM. Under the mandate of the PCM’s Secretary General, the Co-ordination Secretariat also supports the Vice-Ministers’ Coordination Committee. Vice-ministers, on behalf of their ministers, formulate, co-ordinate, implement and monitor sector development policies under their competence in accordance with national policy. Within this framework, the Co-ordination Secretariat is in charge of adjudicating multi-sector issues between vice-ministers. The secretariat also manages relations between the executive and the legislative branch, and with autonomous bodies and other institutions.

- The Decentralisation Secretariat is responsible for managing the decentralisation process and for co-ordinating and articulating the government’s general policy with the regional and local governments (see Chapter 4). In late 2014 it published the general guidelines for the elaboration of institutional reports for the formulation of the Annual Report on the Decentralisation Process. In April 2015, with the support of USAID, it published its first annual report for the year 2014. It comprises three offices focusing on:
the transfer, monitoring and evaluation of competencies to subnational governments

- the development of regional and local capacities and inter-governing relations

- investment management.

Figure 2.3. Organisational chart of the PCM

Source: Government of Peru (2015); responses to the OECD questionnaire carried out for this review.

- The Public Management Secretariat (Secretaria de Gestión Publica, SGP) manages the government’s public administration modernisation agenda; it is responsible for the co-ordination, monitoring and evaluation of the National Policy on Public Management Modernisation. It proposes standards relating to the structure of government, and issues opinions on the creation, deactivation or merging of public entities.

- The Centre for National Strategic Planning (CEPLAN) manages the National Strategic Planning System. It formulates the National Strategic Development Plan (Plan estratégico de desarrollo nacional, PEDN), by leading multi-sector, inter-agency and intergovernmental co-ordination across the executive’s agencies (see Chapter 3). CEPLAN advises government entities (especially the Presidency of the Council of Ministers) and regional and local governments on the definition, monitoring and
evaluation of policies and strategic development plans to ensure coherence with the objectives of the National Strategic Development Plan. CEPLAN also promotes synergies between public, private and civil society organisations and carries out the monitoring and evaluation of government’s strategic management.

- **SERVIR**, the National Civil Service Authority, is responsible for designing and leading the implementation of the government’s civil service reform strategy in the central and subnational public administration. This strategy is an integral component of the government’s public management modernisation agenda, and aims to professionalise the civil service at all levels of government using the principles of merit and equal opportunities to enhance the government’s capacity to attract individuals who are qualified for key positions in each institution. Chapter 5 discusses SERVIR and the civil service reform strategy.

- The General Co-ordinator of the High-Level Commission against Corruption (CAN) manages Peru’s national integrity policy and co-ordinates the regional anti-corruption commissions in each region.

- The National E-Government and Information Technology Office (ONGEI) manages the National Information Technology System and co-ordinates the implementation of the National Policy on E-Government and Information Technology (see Chapter 6).

Other key CoG-relevant units in the PCM include the Office of the President of the Republic and the Social Communications Office.

With so many agencies and secretariat units whose mandates are unrelated to leading the co-ordination of whole-of-government strategy setting and implementation, the PCM is unwieldy, with too many different mandates under its responsibility. In practice it faces difficulties in exercising its strategic co-ordination role effectively both horizontally across the central government and vertically with subnational governments. Most of the areas covered by this review illustrate this challenge, including strategic planning and performance monitoring, open government and integrity initiatives, decentralisation, digital government and the civil service modernisation initiative.

**The Ministry of Economy and Finance**

As a core constituent institutional member of the CoG in Peru, the Ministry of Economy and Finance works closely with all line ministries and acts as their most frequent partner.

Led by the MEF, Peru has adopted performance-based budgeting (see Chapter 3). According to General Law 28411 of the National Budget System, the performance budget is a public management strategy that links the allocation of resources to measurable outputs and outcomes in favour of the population. Most of the budget is organised in programmes, as budgeting units carried out in fulfilment of functions assigned for society’s benefit. This is implemented by the MEF’s Director General of the National Budget in four instruments:

1. budget programmes
2. performance monitoring
3. independent evaluations
4. management incentives.
Peru’s National Budget System\(^8\) is developed by the Director General of the National Budget and benefits from the contributions of sector budget units in the ministries and public entities. All entities make an effort to improve the link between the budgeting and strategic planning processes, in particular at the institutional level. However, as Chapter 3 underscores, co-ordination between CEPLAN and the MEF’s Director General of the National Budget remains weak; the PEDN and the MEF’s multi-year fiscal framework have yet to be meaningfully linked, and performance information on national spending under the budget programmes is not used to inform the PEDN or successive iterations of the national budget.

In addition, the MEF also reports annually on three-year budget programming allocations, based on the Macroeconomic Framework (Documento Marco Macroeconómico Multianual) and the programming of the different entities of the three levels of government. The 2016-18 budget was approved in August 2015. This multi-annual approach is referential, and is adjusted annually.

**Performance budgeting and multi-year programming**

Fiscal policy in Peru has gained credibility over the last 15 years. The Fiscal Responsibility Law, passed in 1999, has been effective in strengthening public finances and reducing public debt. Since 2002, the management of fiscal policy has significantly improved, achieving several consecutive budgetary surpluses (IMF, 2015), together with low government debt and large public investment rates (see Chapter 3).

A modern government to better serve the public requires that its public financial resources be allocated in a results-oriented manner; that is, according to the results that people expect to receive from the products and services funded with public resources to meet their demands. The performance budgeting strategy of the MEF aims at linking financial planning and budgeting (see Chapter 3).

- In 2013, Peru approved a new macro-fiscal framework incorporating medium-term fiscal objectives and introducing counter cyclicality into the budget planning process by focusing on the structural balance. In addition, fiscal transparency has been enhanced by frequent and efficient fiscal reporting.

- According to Shack (2008), medium-term fiscal frameworks aim at extending the planning horizon of public policies beyond the annual budget cycle, but without the characteristic deficiencies of medium-term development plans. This is a major budgetary reform that is being implemented by many OECD countries. The majority of Latin American countries have adopted it in the last 10-15 years, to complement the classical fiscal rules.

- In the presence of sizeable increases in revenue windfall in Chile, Colombia, Mexico and Peru, the introduction of medium-term fiscal and expenditure frameworks created the necessary budget discipline to manage expenditure in an anti-cyclical manner. In this area, Peru is one of the few countries in the region that has embarked on a path of result-oriented financial prioritisation in order to increase the effectiveness of allocative decision making on public spending. This enables the use of budget output and outcome information for resource allocation purposes. Various forms of performance budgeting are widely implemented in OECD countries, but its use has also shown some of its limitations and there is currently no consensus on how best to use it. The OECD has identified three broad categories of performance budgeting: presentational performance budgeting, performance-informed budgeting and direct performance budgeting (see Chapter 3).
In the case of Peru, the main objectives are to:

- link budget allocation of resources to final programming output and outcomes
- increase transparency and accountability, through a clear definition of responsibilities.

Peru is implementing this process gradually, through four instruments: budget programmes, performance monitoring, independent evaluations and management incentives. A development in the information system is also needed, and over the past year the MEF has been working on its revision, together with a better definition of performance indicators, introducing satisfaction surveys and performing an evaluation of programme design, implementation and impact (see Chapter 3).

While use of performance budgeting varies greatly across countries, almost all OECD member countries now use non-financial performance targets/measures in their budgeting methodology. This usually involves the government developing a framework through which objectives can be set and performance indicators can document results:

- In some countries, objectives and indicators are developed as part of an overall strategic plan for the government; in others, objectives and indicators will be set and monitored according to priorities in a particular policy area.
- In practice this means a number of things. This information can be used to gain insight into how different programmes contribute to the achievement of the government’s policy goals. Depending on the type of performance information, this can also help explain why some programmes do or do not work, and whether they represent value for money to the taxpayer.

Beyond generating output- and outcome-based performance information in the national budget, other tools to generate fiscal room to support emerging policy priorities include creating policy reserves and contingency funds. OECD experience suggests that whole-of-government evidence-based decision making tends to lead to greater effectiveness and efficiencies in achieving strategic outcomes (Box 2.3):

- A robust, integrated knowledge base informing strategic decisions across government allows for a wide range of policy benefits, including importantly a deeper understanding of the policy challenges and opportunities facing society (on different time horizons), the impact of proposed policy “solutions”, and whether policy interventions are achieving the expected results for society.
- A broader definition of public results should be considered (Bourgon, 2011 in OECD, 2015b), one that encompasses agency results, system-wide results and societal results – which are most meaningful for citizens.
- To this end, the effective integration of evidence into all aspects of the policy cycle, i.e. ex ante and ex post, can help governments achieve strategic outcomes while guiding strategy setting and implementation over the medium and long term.
Box 2.3. Evidence-based decision making: A key aspect of a strategic state

Since the launch of the first *Government at a Glance* in 2009, the OECD has been advocating evidence-based policy making with the view that coherent policies require governments to take account of all pertinent information. This implies that governments assess the benefits of policy proposals in relation to the future costs as well as their interaction with structural reforms. Evidence-based policy analysis allows for decisions aimed at implementing and steering strategy to be taken in the country’s medium- and long-term interests, based on evidence derived from strategic foresight and environmental scanning that correctly identifies domestic and international short- and long-term challenges and opportunities, on performance assessment that allows for judicious prioritisation of expenditures to achieve the best results with the least resources, and on individual issues being analysed within a broader strategic framework.

Insights from recent OECD Public Governance Reviews identify key areas for evidence-based decision making:

- performance-informed budgeting as a means to support evidence-based decisions on resource allocation
- analytical capacity within ministries to carry out evidence-based policy analysis and implementation
- use of evidence-based impact assessment to secure the coherence and effectiveness of policies, laws and regulations
- prioritisation of key issues for assessment
- internal (and external) consultation to share issues and secure feedback.

Throughout the OECD, good governance practice suggests that policy should be based on sound evidence derived from rigorous analysis of the available facts. Governance practices determine how evidence contributes to identifying policy options. The 2012 OECD *Recommendation of the Council on Regulatory Policy and Governance* provides a framework for the making and updating of rules and regulations. This evidence needs to be available at the right time and be seen by the right people. OECD practice suggests that the following major ingredients are needed to obtain and use the “right evidence”:

- a sound methodology that allows for proper consideration of the immediate and long-term nature of the issue and of the rationale supporting different options for policy intervention (including doing nothing)
- good data for analysis
- public access to the data, assumptions and methodologies used to frame the issue and identify options to address it, so that scrutiny can be brought to bear and the analysis replicated independently
- time to carry out this analysis properly and to consult the general public on its results
- a capable and skilled public service including people skilled in quantitative methods
- a “receptive policy-making” environment: that is, political leaders who are willing and able to decide on the basis of the evidence presented.

As the next section points out, and as highlighted in Chapter 3, however, performance budgeting is not linked to national strategic planning, which limits its utility as a tool to enable the government to monitor the impact of spending decisions on progress in improving national strategic policy outcomes identified in the multi-year strategic plans. This also reflects the practical limits to the PCM’s whole-of-government co-ordination capacity, notably the challenges it faces in partnering effectively with the MEF and linking national strategic planning to results-based budget planning and execution, so that the government can measure, and report on, progress in improving outcomes for citizens through its strategic policy and spending decision making.

Policy-making instruments and practices

The structure of government is relatively fixed, as only the President can change the structure through a law approved by parliament. That said, downsizing and reorganisation only requires a supreme decree, with the approval of the Council of Ministers. The same logic applies for public agencies attached to ministries. Yet in 2011, Law 29792 created the Ministry of Development and Social Inclusion (MIDIS). Due to this reform, another law was passed turning the Ministry of Women’s Affairs and Social Development into the Ministry of Women’s Affairs and Vulnerable Populations (MIMP). So, in practice, although the process is rigid and demanding, key changes make their way into the political agenda and reorganisations do eventually take place.

Policy formulation is led by the President

The Peruvian Constitution establishes that the President of the Republic defines the government’s priorities and strategic plans, national policies and programmes, while the President of the Council of Ministers co-ordinates implementation:

- Under the framework of the Organic Law of the Executive Branch (No. 29158), the President of the Republic leads the general government policy and the President of the Council of Ministers has the role of co-ordinating the required actions to implement it. The Council of Ministers approves national policies.
- Policy implementation is carried out by ministries. They lead the co-ordination of these efforts across administrative boundaries when applicable, together with the Secretary of Co-ordination in the PCM. At the same time, CEPLAN provides technical and methodological assistance in strategic planning, while the MEF formulates budgetary policy and fiscal performance objectives.

Co-ordination mechanisms exist, but focus on policy execution

The Organic Law of the Executive Branch establishes the main co-ordination in the central government (horizontal co-ordination) and between levels of government (vertical co-ordination). According to Articles 32, 33, 38 and 39 of Supreme Decree No. 063-2007-PCM, these processes are organised by the Secretariat of Co-ordination and the Decentralisation Secretariat of the PCM. Horizontal co-ordination mechanisms include:

- Inter-ministerial commissions, such as the Commission on Economic and Financial Affairs, and the Commission on Social Affairs, co-ordinate broad national multi-dimensional strategies in their respective areas.
Interregional co-ordination boards (see Chapter 4) co-ordinate projects involving several regional governments, as well as decentralised government associations, e.g. the National Assembly of Regional Governments (ANGR) or the Association of Municipalities of Peru (AMPE).

The Vice-ministerial Co-ordination Commission (CCV) is an active and useful body for co-ordination of regulation projects, as mentioned above. The 35 vice-ministers debate various sector programmes and strategies; the commission acts as a screening process for technical discussion on draft regulations before they are submitted to the Council of Ministers for approval.

The CCV is, in fact, now recognised for its relevance and usefulness as an active forum for technical discussion of regulatory projects. In 2013, the institutionalisation of the CCV was strengthened; the PCM’s Co-ordination Secretariat, within its functional framework, provides technical support to the commission. This has led to the following achievements:\(^9\)

- enhancement of the effectiveness and timeliness of regulatory approval of projects by the CCV
- an increase in the number of norms passed in less time
- greater security and fluency/access to information in real time on regulatory projects
- more reliable information on regulatory projects fed to the CCV
- strengthening of inter-sectoral co-ordination at the PCM and vice executive branch levels
- strengthening of the strategic and operational co-ordination of the CCV with the Cabinet, to support and facilitate the adoption of norms of interest to government and society
- a greater sense of ownership built with the vice ministers
- continuity in the conduct of meetings of the CCV (physical or virtual attendance).

These achievements are important, not only because of practical improvements in the quality and timeliness of support the commission can provide to the Council of Ministers, but because they appear to be contributing to building a sense of “community” and common purpose among the group in serving a “single government” and the public interest.

In addition, as mentioned above, the National Agreement Forum provides a forum for national actors from the executive branch and beyond to engage in dialogue to address horizontal issues requiring cross-governmental co-ordination. As a result, more than 30 government policies have been adjudicated by the forum.

Vertical co-ordination mechanisms (see Chapter 4) include:

- The Intergovernmental Co-ordination Council, a forum for dialogue and co-ordination of national policies concerning the three levels of government. It is chaired by the PCM with the participation of regional presidents and a representation of mayors, in order to strengthen the decentralisation process and follow-up on national and regional policies.
- Intergovernmental commissions: vertical co-ordination mechanisms developed on a sector basis, based on the supervision performed by ministries in providing public
services, aimed at the decentralised management of public services. Fourteen intergovernmental commissions have been established, but the level of operation is not homogeneous, with only approximately one-third of them actively carrying out their mandates.

- National councils, sector-based intergovernmental commissions, regional co-ordinating councils (CCR) and local co-ordinating councils (CCL).

The National Policy on the Modernization of Public Management (see below), adopted in 2013, highlights a number of challenges to be overcome by the Peruvian public administration by 2021 (the 200th anniversary of Peru’s independence from Spain) in order to become more efficient and citizen-oriented. One of these challenges is to improve co-ordination both between different levels of government (vertical) and between different entities at the same level (horizontal).

In this context, the PCM is promoting a new model of co-ordination which is currently in the process of being diffused between the different entities of the executive branch. This model is based on the premise that there are two types of relationships with the state government: 1) within the state agencies vertically and horizontally; and 2) between the state and society.

All the types of government relations are performed under the process of articulation of public policies (especially multi-sector). In that sense, co-ordination is understood as a means to better articulate the relationship of state government which should promote tangible achievements. Co-ordination endeavours establish two types of actions: co-operation and collaboration.

Co-operation means the relations to improve capacity to address the multisectorial issues, under a responsibility framework. The concept of collaboration relates to relationships to exchange intersectorial aspects of support linked to a performance activity in complementarity. Table 2.1 represents the model.

Under this model of co-operation and collaboration, co-ordination should encourage greater predictability of compliance of multisectorial action, goals and objectives of the executive branch, with a view to achieving the general government policy and appropriately address (“ex ante” and “ex duration”) problems for which they were designed and guarantee the full implementation of multisectorial policies.

Table 2.1. Multisectorial policy approach in the PCM

<table>
<thead>
<tr>
<th>Multisectorial policy</th>
<th>Government relations in the state</th>
<th>Among the government bodies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy co-ordination process</td>
<td>Co-ordination</td>
<td>Means to better co-ordinate government relations of the state (between levels of government)</td>
</tr>
<tr>
<td>It is materialised through:</td>
<td>Co-operation</td>
<td>Relationships to enhance capacity building to address the multisectorial support under a responsibility framework</td>
</tr>
<tr>
<td></td>
<td>Collaboration</td>
<td>Relationships to exchange intersectorial aspects of support linked to a performance in complementarity</td>
</tr>
</tbody>
</table>

Source: Presidency of the Council of Ministers.

These processes reflect a classic top-down approach to public policy formulation, common in many OECD countries, where priorities are defined at the top and
implementation, co-ordination, monitoring and control are performed at the subnational level. In a dynamic context, governments sometimes need to change policy directions quickly and effectively as circumstances change. This means being able to distinguish when action is most appropriate at a whole-of-government level, requiring central action or co-ordination, and when agility is best obtained at a devolved level. It means being able to shift human and financial resources around quickly to meet emerging priorities while sustaining support to the government’s medium-term strategy. Thus, strategic agility in the public sector entails strategic insight, collective engagement and resource flexibility (Box 2.4).

Box 2.4. Elements of strategic agility

Today’s dynamic world and society require governments to be able to change policy directions quickly and effectively as circumstances demand. Strategic agility is the ability of the government and public administration to anticipate and flexibly respond to increasingly complex policy challenges, and to determine at what level action is needed (i.e. at a whole-of-government level or at a devolved local or sector level).

The OECD has adapted the work of Doz and Kosonen (2008) for use in a public sector context in order to identify three necessary components for developing strategic agility:

1. **Strategic insight** is the ability to understand and balance government values, societal preferences, current and future costs and benefits, and expert knowledge and analysis, and to use this understanding coherently for planning, objective setting, decision making and prioritisation.

2. **Collective commitment** is adherence and commitment to a common vision and set of overall objectives, and their use to guide public actors’ “individual work, as well as co-ordination and collaboration with other actors (both inside and outside of government and across levels of government) as needed to achieve goals collectively”.

3. **Resource flexibility** is the ability to move resources (personnel and financial) to changing priorities if and as needed; to identify and promote innovative ways to maximise the results of resources used; and to increase efficiencies and productivity for both fiscal consolidation and re-investment in more effective public policies and services.


In addition, in Peru, co-ordination mechanisms notwithstanding, interaction horizontally and vertically, key to achieving more effective public policies, could be improved, according to the Peruvians themselves:

- The ability of CoG institutions to cascade national strategic objectives down through ministries lies in its capacity to provide strategic direction to ministries, which at times may not set sector-specific strategies in a way that contributes to the pursuit of strategic goals.

- This implies that there may be a need for the CoG to improve effective communication of the national strategy or vision throughout ministries and institutions. The way in which the key CoG institutions (the PCM and the MEF) co-ordinate between themselves the key messages of the government’s National Strategic Plan at all stages of its setting and implementation, and jointly communicate these messages to line ministries, is important in this regard.
Peru appears to lag behind benchmark countries in the co-ordination of public policies. Despite recent efforts to increase dialogue among different institutions, the perception is still that the insufficient collaboration and co-ordination among ministries and within the administration is an obstacle to effective policy making and implementation (Figure 2.4).

**Figure 2.4. Perceptions of co-ordination among public institutions, 2012**

![Perceptions of co-ordination among public institutions, 2012](image)


**Strategic planning and performance monitoring are siloed**

One of the main functions of the CoG in any country is to transpose the government’s strategic priorities into specific plans, and have them fully funded through the budget-setting process. In Peru, the planning initiative is managed in the PCM, through CEPLAN, that co-ordinates the planning system of the government (SINAPLAN). The main function of CEPLAN is to formulate and disseminate a shared vision of the future of the country reflecting the different levels and sectors of government, through the elaboration and update of the National Strategic Development Plan (PEDN). SINAPLAN is the institutional mechanism to test the viability and co-ordinate the implementation of the PEDN that promotes and guides the harmonious and sustained development of the country. This process is discussed in detail in Chapter 3.

In fact, the government has articulated several national strategic plans/agendas for the development of Peru, the most relevant being the current PEDN “Plan bicentenario: El Perú hacia el 2021”. Yet the planning framework also includes the *Agenda de Competitividad 2014-2018*, the National Plan for Productive Diversification and the National Strategic Export Plan PENX. However, these plans are not linked together. And while these plans aim to tackle key challenges in Peru, they are not binding, and the strategic objectives in these plans are neither prioritised nor co-ordinated in a coherent fashion.

The government has made important efforts over the last decade to improve the link between budgeting and strategic planning, in particular at the institutional level. That said, co-ordination between the PCM and the MEF need to be reinforced to give full effect to these efforts so that spending performance can be used to assess whether national strategic planning objectives and results are in fact being achieved. Despite robust performance-based budgeting, the limited use of evidence in policy making, service
design and delivery, and the limited linkages with national strategic planning hinder the ability of the government to achieve results and track outcome improvements for citizens.

The government of Peru adopted performance-based budgeting under the leadership of the MEF’s Budget Directorate to maintain fiscal discipline, improve efficiency in the distribution of resources and the quality of public spending, and ensure the operational effectiveness and efficiency of all public entities and agencies. However, strategic and operational goals could be better linked to spending decisions for a better understanding of the cost-effectiveness of public spending and of whether spending decisions are improving policy outcomes:

- Strategic planning only loosely connects the national development strategy to the national fiscal framework; the government has only limited capacity to use spending performance information to assess the extent to which strategic policy outcomes as defined in the national strategic plan are being achieved through spending decisions.

- This is also reflected in the integrity and regulatory areas: challenges exist in defining and using a performance measurement framework for the integrity and regulatory systems that enables collecting sound evidence to support better decision making and in fostering a more data-driven public sector.

Despite progress in monitoring and evaluation (M&E), there is a limited culture of evaluation in the public administration in Peru. In addition, limited generation of regional performance data, limited use of evidence in resource allocation decisions and in leveraging open data constrains the government’s capacity to improve policy outcomes more effectively on the ground, particularly in the poorest regions and communities of the country.

Although recent efforts to incorporate the results of horizon scanning have been made as part of the National Development Plan 2021 process, strategic foresight and more robust co-ordination of different plans for development in Peru could improve evidence-based decision making.

The current PEDN was approved in 2011 for a period of ten years, to 2021. It presents a number of national strategic objectives. The plan is not static; it is subject to updates and improvements, led by CEPLAN.

- To this end CEPLAN published a Methodological Guide for the Updating Process of the National Strategic Development Plan, which guides the formulation process for the national strategic plan and aims to promote forward thinking and create a long-term vision for the country by establishing consensus across the various sectors of the Peruvian society. The document describes the main stages and the prevailing approaches of this methodology (prospective phase, strategic phase and articulation phase).

- The core of this proposal is based on a perspective that considers the contingencies that might arise, explores various alternatives for the future and gives players a more active role in building their future. This was meant to overcome the predominant and classic approach to strategic planning, based on a rational, predictive, passive and non-participatory vision.

- The detailed sector, regional, local and institutional strategic plans, which use shorter time frames, have to be linked to the PEDN. Under the SINAPLAN, and following the guidelines approved by CEPLAN, monitoring of the objectives, with related indicators, baselines and intermediate objectives is also carried out.
In parallel, the MEF produces the annual national budget, along with a three-year fiscal framework, that allocates financial resources of the state to the various budget programmes. The budget is results-based. The MEF has also adopted a system of monitoring and evaluation as a tool to implement performance budgeting.

As mentioned above and in Chapter 3, these two processes, although not completely isolated, are not linked in any meaningful way; they need to be tightly co-ordinated to ensure that national objectives in the PEDN can be met within the set timeframes using the public resources that need to be assigned to them in the budget. In addition, the PEDN and SINAPLAN are not yet informed by the results of strategic foresight and long-range horizon scanning. CEPLAN has been considering an approach using three time horizons: 2021, 2030 and 2050. However, at the moment this is more a placeholder – a statement of intent on CEPLAN’s part to adopt such a foresight system, as the development of the methodology for the 2030 and 2050 scanning capacity is still being built.

Some OECD countries have interesting experience in embedding long-term foresight within medium-term national strategic plans, which could be of interest to Peru. In the case of Poland, for instance, the key national, long-term development strategy for the country is articulated in Poland 2030: The Third Wave of Modernity – A Long-Term National Development Strategy. This informs and frames the government’s main medium-term strategies that are implemented over a ten-year planning horizon (see Table 2.2 and Chapter 3).

Transparency and accountability frameworks exist but could be strengthened

The CoG can also play a leading role in the government’s transparency and accountability system (see Chapter 7). Indeed, in Peru the PCM has a Communication Office, exercising the following functions:

- develop the external communication policy of the executive to provide adequate and timely information
- identify information needs underpinning the communication strategies
- establish co-ordination mechanisms across the public sector
- design and implement communication products that suit the citizens’ information needs.
### Table 2.2. Cascading planning horizons: The case of Poland

<table>
<thead>
<tr>
<th>Initiative capacity</th>
<th>Time horizon</th>
<th>Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Term National Development Strategy entitled: Poland 2030: The Third Wave of Modernity – A Long-Term National Development Strategy</td>
<td>A 15-year (long-term) implementation perspective – a horizontal, comprehensive strategic framework</td>
<td>Specifies the main trends and challenges that arise from the internal development of Poland as well as changes in its external environment. Includes a comprehensive idea of national social and economic development viewed from a long-term perspective in consideration of its social, economic, environmental, territorial and institutional dimensions.</td>
</tr>
<tr>
<td>National Spatial Development Concept</td>
<td>20-year perspective (long-term)</td>
<td>The most important document dealing with Poland’s spatial management. Its strategic objective is to use the available space effectively in consideration of its differentiated development potential in order to improve: competitiveness; employment rate; effectiveness of the state; social, economic and spatial cohesion in a long-term perspective.</td>
</tr>
<tr>
<td>National Spatial Development Plan</td>
<td>In accordance with the National Land Use Development Perspective</td>
<td>An operational plan of spatial development formulated in accordance with the National Spatial Development Concept.</td>
</tr>
<tr>
<td>Medium-Term National Development Strategy</td>
<td>Four- to ten-year development perspective – a horizontal and comprehensive document, includes provisions of the Long-Term National Development Strategy</td>
<td>Specifies the fundamental determinants, objectives and directions for national development along the social, economic, regional and land-use dimensions implemented via the development strategies with the aid of development programmes. The medium-term perspective permits the formulation of more specific objectives as well as tools for their implementation.</td>
</tr>
</tbody>
</table>


In 2002, the Law on Public Information Access and Transparency entered into force. The Public Management Secretariat (SGP) emerged as a relevant public actor in this area. In addition, Peru, which adhered to the Open Government Partnership in 2014, is one of the countries in the region that has identified the potential of open government as an effective tool to fight corruption, through transparency and accountability (see Chapter 7).

- In Peru, the open government steering group includes two private sector organisations: the National Conference of Private Business Institutions (Conferencia Nacional de Instituciones Empresariales Privadas, CONFIEP) and the Lima Chamber of Commerce (Cámara de Comercio de Lima, CCL).

- In 2010, Peru approved the implementation of the institutional standardised transparency portals for the central government. There is also increasing interest to extend the process to the subnational level, as shown by the implementation of four regional workshops in early 2014 to get direct input from citizens outside Lima for the preparation of the second version of the Peruvian Open Government Partnership Action Plan (see Chapter 7).

- That said, as Chapter 7 argues, important challenges and bottlenecks remain in adopting the government’s second OGP Action Plan in a way that accurately reflects stakeholders’ input.
Another powerful tool to enhance accountability, transparency and civil engagement is performance information on the implementation of national strategies and on fiscal performance in achieving the objectives outlined in these strategies.

- The government is ostensibly required to ensure that the current information available is sufficiently disseminated to civil society and that internally it is used by SINAPLAN as a permanent feedback mechanism to inform the strategic planning system.

- A significant challenge in this area, however, is improving the link between national priority programmes, the national strategy and the government’s policy goals on the one hand, with budget performance information on the other, so that through the government’s open data, communications and electronic portal initiatives, citizens are accurately informed about progress (or lack of) being made by the government in achieving results and improving outcomes for people and business in all regions of the country.

- The CoG could reinforce institutional capacities and policy awareness on open government goals, and work closer with its own institutions and the MEF in the implementation of the Action Plan. Chapter 7 addresses these issues.

Peru’s current reform agenda: The National Policy on the Modernisation of Public Administration

The preceding sections presented evidence on the current state of affairs regarding the roles and responsibilities of the institutions making up Peru’s centre of government. This section outlines Peru’s governance reform agenda and its plans for the future in this area.

One of the main efforts of the Peruvian government to address the traditional challenges it faces in setting and steering the implementation of integrated medium-term national strategy, and designing and delivering public services effectively, efficiently and transparently, has been through adopting in 2013 its national policy on public administration modernisation (Supreme Decree No. 004-PCM)\(^1\). This policy builds on Supreme Decree No. 025-PCM-2010 and the Organic Law 29158 of the Executive Branch.

The first four-year Plan for the Implementation of the National Policy on the Modernisation of Public Administration (PNMGP) 2013-2016 defines actions and indicators with their respective goals, deadlines and leading institutions responsible for the implementation of the policy’s objectives and guidelines, monitoring progress, and evaluating the results and impacts on society.

- The PNMGP-2021 aims to improve public management with a focus on results in the service of citizens. To this end, it has established a model of five main pillars, three cross-cutting and an explicit change management process, all of which are detailed in Figure 2.6.
Public policies, strategic plans and operating plans

Under the PEDN’s axis on development and the consolidation of democratic governance and of strong public institutions, led by the CEPLAN, the first pillar seeks to articulate in a coherent and co-ordinated manner clear government objectives that reflect national priorities. Public policy proposals must be consistent with these objectives. Public entities, in turn, need to reflect these objectives in their plans. Thus, the government as a whole ought to be in a position to focus more clearly on serving citizens better.

Performance budgeting

Under the responsibility of the MEF’s Budget Directorate, performance-based budgeting is being adopted to maintain fiscal discipline, improve efficiency in the distribution of resources and the quality of public spending, and ensure the operational effectiveness and efficiency of all entities and agencies. Chapter 3 assesses this agenda in the context of whole-of-government strategic planning and monitoring and evaluation.

Process management, administrative simplification and institutional organisation

Under the responsibility of the PCM’s Public Management Secretariat, aims at improving gradually public bodies’ process management while pursuing administrative simplification and the reduction of red tape to achieve the expected results. The OECD’s Regulatory Policy Review of Peru will provide advice to the government in this area.

Civil service modernisation

As mentioned previously, under the responsibility of the National Civil Service Authority (SERVIR), the civil service reform strategy aims to improve the performance of government officials, based on the principles of merit and equal opportunities. The medium-term objective is to professionalise the civil service at all levels of government, so as
to attract individuals who are qualified for key positions in each institution. Chapter 5 assesses SERVIR’s framework and provides advice to the government in this area.

**Information, follow up, evaluation and knowledge management system**

Conducted by the PCM’s Public Management Secretariat to ensure efficient public management, public institutions will need to have an information system with a monitoring and evaluation process in place as well as adequate knowledge management strategies. Chapters 6 and 7 examine these issues.

**Open government**

Conducted by the PCM’s Public Management Secretariat, the open government strategy aims at achieving a government which is transparent, accountable for its actions and results, and offers channels which encourage active citizen participation while enhancing government accountability. Chapters 6 and 7 examine these issues and provide advice in this area.

**Electronic government**

Managed by the National Office for Electronic Government and Information Technology (ONGEI, mentioned above), this strategy aims to promote the intensive use of information and communication technology (ICT) in public institutions, to improve the information and services offered to citizens. Chapter 6 assesses the current state of digital government in Peru and offers advice to the government in this area.

**Inter-institutional co-ordination and decision making in the centre of government**

The objective of this strategy is to promote and establish mechanisms for more robust inter-institutional co-ordination that will contribute to the expansion of the performance capacity of the government in serving its population. A crucial point is to improve the management of government priorities from the centre of government. This chapter in particular and the review more generally offer advice in this area.

**Assessment**

**Peru’s bottom line: Better co-ordination for better results**

The government of Peru acknowledged in its responses to the questionnaire carried out for this review the necessity to strengthen co-ordination mechanisms to implement government priorities in a way that reflects the size and complexity of national policies, as well as the need for a comprehensive institutional framework that guarantees adequate support for decision making, proactive and reactive co-ordination capacity, proper alignment with the National Strategic Development Plan, and for robust monitoring and evaluation systems that contribute effectively to decision making.

The PCM and the MEF worked together to design a mechanism for the management of government priorities, encompassing institutional design functions and procedures as well as an organisational model for the centre of government, and the development of an implementation plan. In its responses to the questionnaire, the government proposed the creation of two units:

1. A Strategy Unit in charge of strategic planning, public management, crisis management, co-ordination of public policies and strategic communications.
2. A Compliance Unit with the goal of monitoring throughout the policy cycle (follow-up and evaluation).

In the proposal, both units have the duty to co-ordinate with all ministers. Figure 2.7 presents the proposal the government included in its questionnaire responses. The MEF further suggested that plans be driven by the results-based budgeting framework.

Figure 2.7. Ministry of Economy and Finance-Presidency of the Council of Ministers proposal for institutional reforms to enhance co-ordination


As a proposal to strengthen decision-making capacity through more robust whole-of-government co-ordination, the idea behind this proposal is good – and the joint effort by the PCM and the MEF augurs well for future joined-up efforts in this area. The recommendations below on the CoG adopt the same spirit and build on this most useful approach.

That said, given that the Peruvian Council of Ministers focuses primarily on policy execution, reforms could also focus over time on enhancing the Council of Ministers’ capacity to engage in integrated whole-of-government strategic policy and fiscal setting, planning, and performance monitoring and evaluation in support of executive decision making, served by a reformed CoG with the capacity to support the Council of Ministers in exercising this larger and more encompassing mandate.

Indeed, in OECD countries and beyond, the Council of Ministers or Cabinet itself exercises key functions in advising the head of state/government so that the government exercises decision making in a collegial manner to adopt a course of action that fully reflects all key dimensions of a strategic policy challenge:

- Cabinet and Cabinet committees offer a key forum for debate on national strategy and strategic policy at the top of the government’s decision-making apparatus. This allows for a full airing on a confidential basis of philosophical differences between ministers on a policy approach to address a strategic issue. Most importantly, these debates can enrich
the content of the policy proposals and strategies being submitted to the head of state/government for decision. Sector-based evidence brought to the table by individual ministers, usually developed by their ministry’s civil servants and nurtured through meaningful stakeholder consultations, usually provides a robust, textured basis on which collective, whole-of-government decisions can ultimately be taken.

- Committees of the Council of Ministers can act as a policy filter through which single-sector or multi-sector strategic initiatives are debated in the context of the head of state’s/government’s general approach to the country’s development. This process is usually supported by the CoG institution(s) supporting the head of state/government and Cabinet. This allows for Cabinet to contextualise individual initiatives against the government’s strategic development plan, to assess shorter term initiatives against the government’s and the country’s longer term strategic interests, and to recommend whether a proposal should proceed to implementation or should be held back.

- Committees of the Council of Ministers can act as decision makers on transactional issues of less strategic importance to the government and the country, thus freeing up precious time and resources for the head of state/government and full Cabinet to devote to more strategic issues.

Hence, in terms of whole-of-government decision making that would be supported by the two CoG units proposed by the PCM and the MEF, the government could also consider Colombia’s experience with its superior councils of the administration (Box 2.5), which provides a potentially useful example of how inter-ministerial and multidisciplinary bodies, supported by the type of more effective CoG being proposed by the PCM and the MEF, can enhance cross-silo, whole-of-government co-ordination and co-operation to achieve more integrated strategic policy and spending decisions more coherently for the benefit of all citizens.

Box 2.5. Colombia’s superior councils: Institutional arrangements to assist integrated decision making

The superior councils of the administration in Colombia manage the policy-setting, co-ordination and implementation activities of the national executive branch. These councils are analogous in their make-up to Cabinet committees in OECD countries; however, an important difference in Colombia is that their membership extends beyond ministers to include directors of key administrative departments, the entities that perform the centre of government-like functions of co-ordinating horizontal multi-sector policy development, implementation and evaluation across the government.

The role of these councils is to support the President and the government in formulating, implementing and evaluating policy. The most important superior councils are the Council of Ministers (the Cabinet), the National Council on Economic and Social Policy (Consejo Nacional de Política Económica y Social, CONPES) and the Superior Council on Fiscal Policy (Consejo Superior de Política Fiscal, CONFIS).

Arguably Colombia’s most powerful council, CONPES, is the most important policy co-ordination institution in the government. It is the highest national planning authority in the country and serves as the advisory body to the government on all policy related to the economic and social development of the country. It co-ordinates and guides the array of government agencies and entities responsible for the government’s economic and social policy.

Over time, the government could consider defining and formalising a clearer division of responsibility in decision making by the Council of Ministers (based on thematic policy clusters related to whole-of-government strategy-setting and implementation, for example), and confirm a hierarchy in decision-making authority by the Council of Ministers and committees created for this purpose. This could build greater coherence in national strategy-setting, implementation and performance assessment in support of integrated strategic whole-of-government decision making by the executive and the head of state. In this context, the espacios de articulación (articulation spaces) shown in Figure 2.7 in the areas of security (CONASEC), social affairs (CIAS) and production (CMDP) could constitute a first step in this direction to generate strategic policy clusters for greater integrated policy coherence in decision making.

Recommendations

The focus of these recommendations is on enhancing the government of Peru’s steering and co-ordination capacity through institutional reforms in the CoG institution serving the head of state and the Council of Ministers. The recommendations below aim to build on the spirit of what the government of Peru proposed in its responses to the questionnaire carried out by the OECD for this review. In recommending these institutional reforms, this review notes the following:

- Some of the recommendations requiring structural reform could be complex and take time and effort, including through the pursuit of amendments to organic laws and other framework legislation and their requisite consultations. Due consideration to these challenges would therefore need to be reflected in any reform strategy that the government designs in this area.

- In focusing on the PCM as the CoG institution serving the President and the Council of Ministers, the thrust of this advice in no way aims to question (or weaken) the role of the MEF. Without a doubt, the MEF’s role has been fundamental in the transformation of Peru. On the contrary, advising to strengthen the co-ordination capacity of the PCM aims to generate in this CoG institution a more robust partner for the MEF so that they can jointly co-ordinate national strategic policy and fiscal design, implementation and performance monitoring to achieve results for citizens and improve inclusive growth outcomes in all regions of the country, while ensuring that if performance information demonstrates that results are in fact not being achieved as anticipated, they can jointly advise the President and the Council of Ministers on how best to design and pursue a strategic change of course that more effectively achieves the desired results.

In all elements of Peru’s national public administration modernisation agenda, the CoG needs to play a strong co-ordination role, both internally between the various key secretariats in the PCM and between the PCM and the MEF, and transversally across the government to ensure, for instance, that financial and policy performance information is generated properly, used effectively in informing next-wave policy and budget setting and implementation, and can be harnessed to inform citizens effectively on progress in achieving inclusive development and well-being outcomes for citizens in all regions of the country.

This chapter has argued that centres of government are a cornerstone of public governance systems. CoGs ensure high-quality decision making by government and co-ordinate government actions and maintain coherence in the design and implementation of government policy. Poor co-ordination and ineffective decision making, present in
many public administrations, can mean that the translation of political priorities into
government action often fail to deliver results for citizens and business.

In the case of Peru, the need to improve existing institutional arrangements has been
recognised by the government: it is one of the strands of the modernisation strategy. This
provides Peru with an important opportunity to pursue a wide range of institutional
reforms over the coming years to improve CoG decision making as a means to improve
the government’s capacity to improve outcomes for people.

The overview of Peru’s centre of government presented in this chapter leads to the
following considerations:

• The Presidency of the Council of Ministers needs greater stability, a clearer institutional
make-up free from responsibilities that detract from its primary purposes, and more
political and policy clout in the system so that it can focus on leading whole-of-
government co-ordination of the design, delivery and performance monitoring of the
multi-year national development strategy.
  – In the period 2000-15, there were 20 different PCMs, more than one per year
    on average, usually with commensurate turnover in senior staff reporting to
    the President of the Council of Ministers.
  – This hampers adequate fulfilment of the CoG’s functions, in particular
    conducting strategic foresight and sustaining co-ordination of public policies
    over time.

• With 16 different agencies and secretariats reporting to the head of the PCM, it is at
once too atomised, with too many different mandates on its plate, and not focused
enough to play its co-ordination role effectively. In most OECD countries, the CoG is
not responsible for transactional sector-specific activities: once they are conceived,
policy responsibility for their roll-out and management is transferred to the relevant line
ministry to preserve the CoG’s capacity to lead high-level strategy design, delivery and
monitoring properly.
  – Paradoxically, the plethora of entities in the PCM actually reduces the CoG’s
    political clout in the system, because it does not have enough time, energy or
    resources to focus on the small number of whole-of-government strategic
    objectives it should be leading.
  – This also implies that its resources are spread too thinly; they could be
    consolidated to enhance its strategic role.

• The PCM needs to be able to co-ordinate closely and on an ongoing basis with the MEF
to ensure that the PEDN is clearly linked to the budget and the multi-year fiscal
framework. It needs to be able to co-ordinate with line ministries across the central
government and with regional and local governments on developing and implementing
the PEDN, as well as on all strands of the modernisation agenda, including on
decentralisation and performance measurement, so that planning frameworks such as
the PEDN and SINAPLAN actually benefit from the contributions of all key public and
private actors, and the government’s performance story can be developed and
communicated in as integrated a fashion as possible.
  – Performance information needs to inform the planning process.
− National strategic planning needs to drive the budget process, as in OECD countries, and not the other way round: results-based budgeting in Peru should be framed by the strategic objectives in the multi-year whole-of-government strategy and the results-based budgeting framework should measure performance against the outcomes defined in the PEDN.

− Strategic objectives need to be defined in the context of the fiscal framework, so that the government and citizens understand what can be implemented within any given time frame.

− Integrated communications to Congress and the public need to be led by the CoG.

These considerations frame the recommendations that follow. Their purpose is to:

• Build capacity in the PCM and enhance its political and policy clout in the system.

• Enhance its capacity to partner with the MEF and lead co-ordination effectively of the design, implementation and performance monitoring of a national multi-year development strategy that links policy to budgeting, annual sector plans, and gathering and communicating whole-of-government performance information assessing implementation against results.

To this end, the government could consider the recommendations below.

1. Strengthen centre-of-government-led whole-of-government co-ordination

• Strengthen institutional capacity to overcome silos and improve integrated, multi-dimensional whole-of-government strategic planning, implementation and performance monitoring that effectively achieves results in a way that assesses spending decisions against the achievement of strategic policy outcomes:

• Review the composition and mandates of the secretariats and agencies currently in the PCM with the view to transferring those units that do not play a whole-of-government co-ordination function to relevant line ministries, thereby enabling the PCM to focus its mandate more clearly on the national development strategy, government modernisation, decentralisation and on managing government-wide operations. Any unit not involved in delivering on these mandates should be spun off to a relevant line minister. Any and all resource savings accruing as a result of this exercise should be reallocated to the core CoG units, including CEPLAN, the Public Management Secretariat (SGP), the Decentralisation Secretariat, SERVIR, the Co-ordination Secretariat, CAN and ONGEI.

− In transferring agencies/entities out, make sure to safeguard/strengthen autonomy where warranted. For example, the National Institute of Statistics and Informatics’ autonomy should be confirmed (and if necessary strengthened) to ensure that it is properly resourced and protected from partisan political interference in exercising its mandate.

− Create two new vice-minister positions within the PCM reporting directly to the PCM to reinforce its strategic role as one of the two institutions making up the CoG:
− Group strategy-setting units under a Vice-Minister of National Strategy and Public Governance Modernisation.

− Group strategy implementation/delivery units under a Vice-Minister of Operational Delivery and Results.

− Create a standing committee of the Council of Ministers with oversight functions relating to strategy setting, planning, budgeting, implementation/delivery and performance monitoring to ensure the achievement of national and regional strategic outcomes, to be supported by the two vice-ministries and the MEF. This standing committee could be chaired by the President of the Council of Ministers, with the Minister of the Economy and Finance as vice-chair, and report to the President of the Republic. The Technical Secretariat of this committee could be headed by the PCM.

− Base the recruitment and appointment of the vice-minister positions on merit; and ensure stability in the structures and in the officials managing them that goes beyond a single electoral cycle and the high turnover ratio of the President of Council of Ministers.

• Communicate these changes widely both internally and externally.

2. Improve co-operation between the PCM and the MEF

• Reinforce the link between CEPLAN and the Directorate-General of the National Budget to better align the PEDN with the multi-year budget using a common time frame. A joint commission should be set up to harmonise the medium-term framework, and to increase the achievement of its goals, monitoring and diffusion.

3. Reinforce capacity to integrate the results of long-term strategic foresight into strategic planning

• Despite the latest round of PEDN updating, some sectorial strategic plans need to improve the definition of goals, outcome-oriented indicators and M&E techniques and which must be aligned and integrated to the PEDN. Additionally, there is currently no long-term foresight document. Such information is a useful tool to define long-term objectives that surpass the period of the PEDN. Peru might consider increasing the role of National Agreement Forum in this respect (see Chapter 3).

4. Improve the performance monitoring framework

• Performance monitoring and audit seem to be split in different units (CEPLAN, MEF, Comptroller General’s Office, etc.), which at present do not provide outputs that can be used systematically in the decision-making process. CEPLAN clearly needs to reinforce its evaluation capacities and integrate the work done by the MEF and others in the strategic planning processes. The example of SINERGIA in Colombia could help in this respect (see Chapter 3).
5. Increase the strategic skills capacity of the civil service in the PCM, and ensure stability in staff rotation

- Technical capacities need to be reinforced in the CoG, through training, technical assistance, seminars, etc. This applies to the central administration, but also very much, in a second wave, to the senior civil service of the regional and local key CoG-like units. A continuous learning process should therefore be institutionalised, to be able to develop the proper co-ordination, planning and management skills in the PCM (see Chapter 5).

6. Use the centre of government to engage citizens and civil society as key players

- Citizens should be involved in the political life of Peru on a regular basis. This can be done in different ways, such as open government techniques to inform the population, satisfaction surveys to provide feedback on the planning process, workshops and roundtables for stakeholders, enhancing the National Agreement Forum and other initiatives to ensure that the needs and aspirations of all Peruvians are rightly identified and met by the government at all levels (see Chapter 7).

7. Develop and implement an integrated ongoing government communications strategy

- The CoG should build capacity to inform citizens on a regular basis on efforts and results in government modernisation, strategy implementation, decentralisation and other strands of the national development strategy. This can, over time, strengthen trust and consolidate democracy gains.

- This strategy should include use of ICT and digital government tools to engage citizens systematically in Peru’s public life.

8. Establish a delivery unit to pursue reforms and monitor their implementation

- The Secretariat for Public Administration should prepare a comprehensive strategy and briefing package for the incoming government at the level of politicians and officials to inform them of the OECD’s recommendations with a view to raise awareness and generate buy-in for a comprehensive, integrated package of reforms that the incoming government could pursue over the life of its mandate.

- Peru could assign responsibility for supporting the implementation of this reform package to a dedicated project office (perhaps styled as a Delivery Unit) located within the PCM:

  - The project office could be made up of civil servants seconded from the key secretariats in the PCM and from the MEF, as well as from key programme ministries engaged in decentralisation. The personnel selected for the project office should be of sufficiently senior rank to enable them to engage their respective leadership effectively.

  - Reporting on progress in implementing reforms to the Council of Ministers (notably to its recommended Standing Committee) could occur on a regular basis, either bi-annually or annually, on both outputs and outcomes being achieved through the reform implementation process. This performance information should inform the PEDN and budget planning.
– With the approval of the Council of Ministers, the PCM/Delivery Unit could report annually on progress to the Congress and people of Peru.

– The relevant senior civil servants could be held accountable through their annual performance appraisal process for the implementation of reform plans and actions approved by the Council of Ministers.

Notes


2. Government of Peru (2015); responses to the OECD questionnaire carried out for this review.


4. The executive branch’s public entities are public organisms (such as regulatory agencies), commissions, programmes and special projects; Entidades Administradoras de Fondos Intangibles de la Seguridad Social; and state companies (empresas de propiedad del estado).


9. Government of Peru (2015); responses to the OECD questionnaire carried out for this review.

10. Government of Peru (2015); responses to the OECD questionnaire carried out for this review.


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