



NEW ANTI-CORRUPTION GOVERNMENTS: THE CHALLENGE OF DELIVERY

PERU

A CASE STUDY

Jose Ugaz Sanchez Moreno

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Peru

1. Executive summary

Despite the considerable political, economic, social, and moral shift in society resulting from the exposure of widespread corruption within the government of Alberto Fujimori in the 1990s, attempts to combat corruption during the subsequent period of democratic transition¹ have been restricted. Sporadic initiatives across different sectors have had limited effect, while the lack of a national anticorruption policy has hampered progress. The political will demonstrated by Valentín Paniagua's transition government² - which called upon a group of independent experts to design a policy proposal for Alejandro Toledo's government to sign and implement (National Anticorruption Initiative (INA)) - has dissipated.

The current administration has failed to address sufficiently the context of transition and has disregarded some INA recommendations while adopting others. The most regrettable example of this piecemeal approach was the creation of a National Anticorruption Commission (CNA), to which the presidential adviser on public ethics was appointed as chair. Such a political appointment meant the chair was without the autonomy needed to effectively monitor the Toledo administration's activities. In addition to its formal limitations, the CNA has also failed to live up to its mandate of proposing a national anticorruption policy (despite having the INA as a precedent).

This lack of political leadership on anticorruption measures has been combined with a continual unearthing of corruption scandals associated with the Possible Peru administration, particularly involving President Toledo. Consequently there is deep-seated distrust within society of the state's capacity to reduce the incidence of corrupt acts.³

2. National overview prior to transition

2.a. General characteristics

Lack of dialogue between state and society has long been problematic for Peru. This disconnect has roots in the lack of consistency between culture and institutions during the foundation of the republic in the first quarter of the 19th century. As a result of this, modern and democratic institutions exist (such as separation of powers, periodic elections, public debate, and so forth)

¹ According to some authors, after Fujimori's fall the only formally transitional government has been that of Paniagua, while the Toledo administration operated in a time of democratic consolidation. However, this paper views the Toledo government as belonging to the transition period in that there are elements of the Fujimori institutional structure that have not yet changed and, more importantly, there are political traits that suggest authoritarian backsliding rather than consolidation because of greater pressure exerted by the press, civil society at large, and the political opposition. On theoretical grounds, transition governments are unable to call free and competitive elections.

² November 2000-July 2001.

³ First and second National Corruption Surveys. Proética, Apoyo Opinión & Mercado, Lima, 2002 and 2004.

but these are hindered by traditional political practices marked by authoritarianism and ruling-party cronyism.

Linkages between authoritarianism, cronyism, and corruption during the Fujimori period were evident in Peru's historical settlement (they will be discussed in greater depth below). Authoritarian aspects of power relations (discrimination, and political and social exclusion) and the constant presence of political interest groups (military, economic, or social power groups) rather than democratic parties have been the context under which dictatorships and militarism have evolved. Acts of corruption have also been frequent in the republic's history.

Political opposition parties have provided the impetus for the modernisation of the country by voicing progressive issues (extending the vote to women, indigenous people's rights, illiteracy, agrarian reform, industrialisation and economic liberalisation). Once established in office, however, these parties became just as corrupt as those they criticised, exchanging political activism for jobs in the public sector.

[*Chart]

***Democracy and authoritarianism in the republic's history:
Percentages by years in government (1821 - 2000)***

Civil governments

Military and authoritarian civil governments

Furthermore, Peru's inefficient judicial branch has shown little independence in controlling the government, and became even less effective as corruption grew under the Fujimori government. There is a high perception of corruption in the judicial system. According to the Transparency International 2003 Global Corruption Barometer, Peru was the country where people were most disillusioned with corruption in that sector (35 per cent).

2.b. How awareness of corruption mobilised the transition movement

As the Fujimori regime consolidated large corrupt interest groups in positions of power, it became increasingly authoritarian. At the start of the regime, corrupt acts had been less frequent and documented by independent journalistic reports, according to the opposition. At

that time there was no knowledge of the level of corruption now known to have been prevalent. It was believed that the toughening of the regime's stance, seen through mounting limitations on civil liberties in the media and on free speech and on political freedoms such as blocking the referendum on the legitimacy of Fujimori's participation in the 2000 elections, was designed to protect Fujimori's own interests, the government's clique,⁴ and the associated network of corruption.⁵As time went on, it became evident that the struggle to effect a transition from authoritarianism to democracy was intimately tied to the fight against corruption.

Corruption under Fujimori was systemic⁶. Political interest groups modified, adapted, and subordinated the actions of different state institutions to suit their needs for duplication and expansion. The heart of the state corruption system was the National Intelligence Service (SIN), which was run unofficially by Fujimori's main adviser, Vladimiro Montesinos. Through close contact with the president, the entity exerted control over the state throughout the 1990s, and after the lost decade of the 1980s it saw its resources increase considerably during a time of poorly implemented neoliberal policies (privatisation, liberalisation, and deregulation).

This had grave consequences for the state, increasing the burden caused by systematic, institutional corruption already deeply ingrained in the country. Through opportunity-cost modelling, the National Anticorruption Initiative estimated how much was lost in Peru due to corruption. This was calculated using the Transparency International Corruption Perceptions Index (CPI), comparing Peru's lack of economic growth, because of the perception of corruption, with other countries. Thus, the 4.5 CPI points that Peru recorded on average between 1998 and 2000 resulted in a loss of growth of 1.5 per cent of GDP when compared with the Nordic countries, which were the highest performers in the CPI for that period. This meant that the cost of lost opportunities due to systematic and institutional corruption in Peru was almost US \$700 million annually during each of those years. Based on this estimate, the INA calculated that 62,500 people per year would have been able to find employment, and 57,500 people per year would have escaped the poverty trap, had corruption been at the low levels experienced in the Nordic countries.

According to the INA, the economic impact of systemic corruption (US \$870 million as of 20 June 2001, measured in terms of loss of production, or investment of resources) indicates that during the Fujimori regime up to 3.6 per cent of GDP growth (US \$1.8 billion) was lost that

⁴ Grompone, Romeo and Julio Cotler. *El Fujimorismo*. IEP. Lima, 2000.

⁵ National Anticorruption Initiative. *Un Perú sin Corrupción*. Working documents. *Diagnóstico de la corrupción y áreas vulnerables*. Justice Ministry. Lima, 2001.

⁶ INA. *Op. cit.*

could have been invested and that a further 163,706 jobs might have been created. Furthermore, taking into account the positive effect that employment has on poverty reduction, a total of 155,400 of the country's poor did not escape poverty that might otherwise have done so.

Estimated economic costs of corruption in Peru		
	Systematic institutional corruption (annually between 1988 and 2000)	Systemic corruption (Fujimorism)
GDP failure to grow (millions of US\$)	697	1,800
Jobs not created	62,691	163,706
People who did not escape poverty	57,500	155,400

Source: INA. *Op. cit.*

Systemic corruption in Peru flourished because of weak institutionalism, isolated party structures and a fragmented civil society. It had serious consequences for the three levels of state power and the national system for oversight. This became apparent in a number of different ways, the most serious of which were: graft in state contracting and acquisitions (in particular in the defence sector); direct relations with drug trafficking; illegal commissions in the privatisation of public enterprises or through bailing them out financially; and the use of public resources for political ends (e.g. the manipulation of social programs to increase public support for Fujimori, particularly in the 2000 elections).

2.c. Transition begins

Although the magnitude of corruption under Fujimorism was yet to be disclosed, enough was known to brand the regime as authoritarian and corrupt, with corruption underlying much of its authoritarianism. Thus the social movement against Fujimorism embraced the fight against corruption as one of its main tenets.

The transition government that followed took up the national spirit, concentrating on the fight against organised crime that had had Fujimori and Montesinos at its head. It also sought to hold open and free democratic elections. The Paniagua administration achieved both of these objectives during its eight months in office. The former was more complicated due to a lack of resources. Nevertheless, it was able to formulate an anticorruption system made up of the police, ad hoc prosecutors, attorneys, and anticorruption judges that recorded a number of successes, including Montesinos' arrest.

Notwithstanding this progress, during the 2001 election campaign the fight against corruption lost ground when political actors put more pressing issues on the agenda, such as unemployment and high living costs. Despite all of the main candidates publicly expressing interest in fighting corruption, their platforms did not include a single proposal to design and execute state policy against corruption, and did not even make reference to the fight against the corruption of Fujimorism that had already begun. In fact, the parties running for election did not make commitments on a single fundamental aspect of the country's social situation (social exclusion, poverty, modernisation of the state, reforms to the administration of justice, agrarian policy, and so on). This lack of resolve to engage with the issue persists today.

3. Initiatives by the new governments

Before addressing these schemes, it is worth noting that the Fujimori government passed a series of ostensibly significant measures to combat corruption and yet managed to become the most corrupt regime in Peruvian history.⁷ Appropriate legislation requires application, a suitably elevated position in public policy priorities, and sufficient political resolve to enshrine laws in the constitution.

3.a. Design of an effective action plan

The Paniagua government established long- and short-term objectives for its two main priorities: the organisation of transparent and competitive elections, and the fight against the corruption of the defunct Fujimori regime.

For the short-term it proposed the organisation of an anticorruption system that could operate within an institutional framework highly contaminated by the systemic corruption of Fujimorism that touched all key areas of political interaction and oversight. In the first process of its kind in Peru, organisations were set up in three areas to investigate and punish organised crime: (1) a Prosecutor's Office dedicated exclusively to investigating reports and lawsuits against Montesinos and Fujimori; (2) the creation of specialised anticorruption courts to handle cases of the hundreds of people involved, as well as the designation of specialised anticorruption prosecutors (within the Attorney General's Office) to pursue the investigations of these cases, and; (3) Congress established investigative commissions on five of the most important aspects of the Fujimori corruption (Fujimori's conduct; the origin of Montesinos' illicit resources; influence peddling in the judicial branch, the Attorney General's Office and other oversight entities; the renegotiation of foreign debt; and economic and financial crimes).

⁷ It started by ratifying the Inter-American Convention Against Corruption in June 1997. It also modified the Penal Code to shore up the fight against illicit enrichment and corruption among officials. Law 26771 against nepotism is still outstanding, as are Supreme Decree 023-99-PCM that establishes prohibitions and incompatibilities for officials in office and the Law on the Grounds for the Public Service that contains regulations against abuses and risks of corruption for public servants. There is also the Code of Ethics for the National Electoral Processes Organization (ONPE) for the heads of the decentralized offices. The latter was the law most often abused during the fraudulent general elections of 2000. Rolando Ames et al. *Situación de la Democracia en el Perú 2000-2001*. PUCP. Lima, 2001.

Congress also watched a number of videos exposing corrupt practices that were confiscated from Montesinos.

In connection with these forums for fighting corruption, and on the initiative of the ad hoc Prosecutor's Office, the government undertook the proposal and refinement of some fundamental legislation to support this complex task.

Law No. 27378	Establishes benefits for effective collaboration.
Law No. 27379	Empowers anticorruption prosecutors to petition judges for pre-trial arrest warrants to prevent suspects from fleeing.
Law No. 27380	Creates an anticorruption system, with specialised prosecutors, a criminal court, and anticorruption judges.
Law No. 27399	Makes it possible to arrest officials with a right to a pre-trial.
RS No. 281-2001-JUS	Regulates the role of the ad hoc prosecutor in plea-bargaining.
DS No. 029-2001-JUS	Regulates the administration of assets that have been confiscated and impounded.
Res. No. 964-2001-MP-FN	
DS No. 035-2001-JUS	Regulates the law on effective collaboration.
DU No. 122-2001	Creates the Fund for the Special Administration of Money Obtained Illicitly to the Detriment of the State (FEDADOI).

Source: Pierina Pollarolo. Country Report on the National Integrity System in Peru. Instituto Apoyo, 2001

For the medium- and long-term perspective, the Paniagua government created a working group to produce a diagnosis on the problem of corruption in Peru and came up with proposals for measures to counter the problems and causes identified. The National Anticorruption Initiative (INA) was a commission made up of civil society public figures to engage in intense dialogue with the state, to sharpen the scope of the diagnosis, and to refine its proposals. It was established in April 2001 and its actions were framed within the Justice Ministry's National Anticorruption Plan.

The Toledo government should have evaluated and implemented some of the INA proposals that were presented to it, following the logic of diagnosis-proposal-implementation. In the anti-corruption plan, the Toledo government was made responsible for the last part of the implementation. As this case study illustrates, achievements to date to have been less than satisfactory.

3.b. Sustaining the conditions for reform

Fighting corruption was one of the main demands that arose from the social mobilisation that marked the opposition to the Fujimori regime. Some have pointed out that Paniagua's transition

government⁸ shouldered the onerous task of dismantling the institutional framework that had been corrupted by the National Intelligence Service, run by Montesinos.

That government's struggle demonstrates how corruption is one of Peru's most significant challenges. This is illustrated in the graph below. Note that within the results of the World Bank research, 87 per cent of respondents (users of public administration) mention corruption of their own accord as part of a long list (reproduced partially on the graph) and highlight it as the second biggest challenge after unemployment, rated at 90 per cent.

[*Chart]

Most important challenges for Peru, according to the users of public administration (per cent of spontaneous mentions)

Lack of housing

Lack of leaders

Cost of living

Drug trafficking

Drug use

Crime

Corruption

Unemployment

Source: World Bank Report, in INA, op.cit

In the first period of transition, the government's political resolve was expressed through its management of public affairs, which was in stark contrast to the style of the previous regime. A series of initiatives was undertaken to broker consensus between the state and civil society concerning the social issues in the country, such as poverty (Consensus Group on the Fight against Poverty), education (National Education Council), and corruption (INA), among others. These forums - nation-wide applications of the consensus-seeking models that had been used during the 1980s and 1990s in some local settings - began to discuss the objectives and the actions necessary to take on national policy in these areas.

The Toledo government, however, failed to implement INA recommendations on combating corruption. To a considerable degree this was the result of the administration's inability to prioritise that grew out of a lack of political resolve. The INA, by concentrating on its technical role, did not develop the capacity needed to involve the citizen network in pressing for the adequate implementation of these measures. Nor did the opposition parties broach the

⁸ First elected president of Congress by a growing majority of the opposition after the scandal concerning the video showing Montesinos paying off a congressman, and subsequently chosen to be president of the republic after Fujimori communicated his resignation from Japan and the moral inability of the two vice-presidents.

discussion of corruption as a national problem, instead limiting themselves to criticising the current government for any corruption scandals that occurred.

Public opinion on corruption has not changed markedly since the time of Fujimori's fall. According to surveys (Proética and Apoyo Opinión & Mercado, 2002 and 2004), corruption was perceived as a "very serious" problem by 63 per cent of the population in 2002 and by 62 per cent in 2003 (and if one factors in those who considered it "serious" on both occasions that figure rises to more than 90 per cent). This is striking if one takes into account Transparency International's CPI. The graph below shows how the CPI for Peru has dropped noticeably during the past two years, a continuation of the decline that has been sustained since 1998.

[*Graph]

Peru: Annual CPI Evolution

(The lower the number, the greater the perception of corruption)

Information source: Transparency International: our graph.

There is a distinct relationship between on the one hand the loss of political resolve to fight the corruption of Fujimorism and the loss of the impetus that the Paniagua government brought to the democratic transition (such as the formation of the INA, the reform of the Police and Armed Forces, and consensus-seeking on the country's problems), and the increase in Peruvians' perception of corruption on the other.⁹

3.c. The reform of dysfunctional institutions

Transition also implied dismantling the influence that the Fujimori system of corruption had held over the institutional structure. This was no easy task. The network stretched from the SIN-Presidency of the Republic to the social programs, the Armed Forces, the National Police, government ministries, Congress, the judicial branch and the system for the administration of justice, the national system for oversight, customs and taxes. Furthermore, it extended beyond the state to the private sector: Montesinos and Fujimori's front men, representatives of big business, the media, drug traffickers, and gunrunners.

In practice, institutional reform would have required reforming the entire state because the disorder and irrationality that have characterised Peru historically have facilitated corruption. Nevertheless, despite public debate on several occasions, no effective process to reform the state has yet been undertaken. What was carried out, however, was a series of institutional reform processes, the results of which have been unconvincing to date. The most significant of

⁹ This is also evident in the data from the two national surveys on corruption by Proética and Apoyo Opinión & Mercado.

these processes were those undertaken with the National Police, the Armed Forces, judicial branch and system for the administration of justice.

The Fujimori government used the police as a pivotal institution in its system of corruption. It exerted control over the police by winning over the high commanders and certain units. The discontent felt by most policemen was made clear in the Report by the Special Commission for Restructuring the National Police of Peru (2002), according to which half of all policemen (officers and patrolmen) agreed that the main challenge for reforming the Police after Fujimorism was the eradication of corruption. This is illustrated on the graph on page [?].

Police reform lost momentum when the Possible Peru party placed allies in gained control of [?] the Interior Ministry. During the first stage of the Toledo government two independent ministers were appointed to it, but they were subsequently removed as the government distributed public service jobs in return for political influence. Currently the reform is at a standstill.

Reform of the Armed Forces was just as pressing. Since it was the most important institution in the corrupt web of Fujimorism, particularly for Montesinos (whose past involvement in the military had left him with ties to the high-ranked commanders he positioned), it was essential for it undergo immediate organisational reform, including its procedures for promotion and, most crucially, its links with civil authorities.

[*Graph]

Most important tasks in restructuring the Police, according to the policemen themselves.

Purging corruption

Pay increases

Increasing efficiency

Developing closer ties to the community

Demilitarisation of the institution

No answer

Source: Report by the Special Commission for Restructuring the National Police of Peru.

The main problem with military reform was that it did not have committed leadership from the start, whereas the police force had received such leadership from the Interior Ministry. The defence ministers at the time, perhaps conscious of the difficulties of reform, were either without enough room to manoeuvre or else lacked sufficient resolve. Now the Defence Ministry no longer talks about the "reform" of the Armed Forces, but rather its "restructuring" and it has

stated that this should be undertaken by the military itself since civilians are outsiders and do not have the necessary expertise.

Toledo's civilian ministers were unable to bring about reform. Even so, although military reform has not gathered the momentum it should have, the proposal has increasingly been accepted by the military. In fact recently its reform has been even more impressive than that of the police, in particular during civilian Minister Loret de Mola's term in office (2001 to December 2003). He promoted the public discussion (with civil society) of the Armed Forces' modernisation and the National Defence Plan.

Reform of the judicial branch has undergone a different process. At the start of the transition, magistrates' salaries were raised on the assumption that with higher wages there would be less likelihood of corruption, particularly because in the coming years the trials of those accused of corruption under the Fujimori government would begin. But the Paniagua transition government did not initiate reform instead leaving it to the judicial branch. The latter did not become aware of the magnitude of the problem until the Panamericana Television scandal broke --in which each of the parties received rulings in their favour from two different courts.

The reform process was rolled out through two bodies. The first was the Commission for the Restructuring of the judicial branch. This commission was the judicial branch's response to the problems of inefficiency and corruption; but it was apparently dogged by a misguided understanding of the concept of autonomy. A document by the judicial branch read, "The realisation of the necessary structural change to the administration of justice should necessarily be done from within the judicial branch, by the magistrates from all levels, led by the president of this state branch and by its governing and oversight agencies."¹⁰ Although the judicial branch acknowledged that there should be interaction with other state institutions and with civil society, it made clear that its mandate was inward looking and only concerned the reform process. For example, among the conclusions of the working group on anticorruption policies it was stated that the control agency should continue to be part of the judicial branch and that it should be strengthened with resources and trained personnel. This meant that oversight had to be provided by those who were themselves being monitored.

The second body was the Special Commission for the Comprehensive Reform of the Administration of Justice (CERIAJUS). The Justice Ministry proposed this commission and passed it as law. It called to action those involved in the administration of justice, both public servants and civil society. Its objective was not limited to reforming the judicial branch but

¹⁰ Accord of the plenary of the Supreme Court of Justice of the Republic; 22 January 2003, www.pj.gob.pe/reestructuracion/Documentos_Base/Acuerdo.pdf

rather it extended to the entire justice system (Attorney General's Office, Constitutional Court, Council of Magistrates, Academy of the Magistrates, as well as the judicial branch). In terms of the fight against corruption, the CERIAJUS mainly proposed unifying control of the justice system into an autonomous agency that would be outside of the remit of institutions that made up the system itself, with the participation of civil society by means of professional associations and universities. The problem with the recommendations of this commission lay in the costs of implementation. The justice system and the judicial branch in particular, had only a small budget for such reform. Below are some of the CERIAJUS' calculations of the amounts needed to enable judicial institutions to achieve a normal level of functioning (without implementing the Comprehensive Reform Plan, the costs of which would have been even higher).

	Budget 2004	Budget needed for normal functioning	Variation in new soles	Percent variation
Judicial branch	553,600,000	995,240,253	441,640,253	80
Attorney General's Office	273,349,404	391,771,660	118,422,256	43
National Council of Magistrates	10,074,450	11,847,924	1,773,474	28
Constitutional Court	11,600,000	13,600,000	2,000,000	27
Ministry of Justice	24,211,878	24,638,962	427,084	2
Academy of the Magistrates	7,710,000	8,906,163	1,196,163	26
National Penitentiary Institute	145,901,409	161,422,504	15,521,095	21
Total	1,026,447,141	1,607,427,466	580,980,325	57

Source: CERIAJUS. *Towards a refounding of the justice system*. Lima, 2004.

3.d. Measures for financial monitoring and reform

As part of the effort to fight Fujimori and Montesinos' organised crime, the location and recovery of assets stolen from the Peruvian State was, and remains, a priority within the anticorruption system. The ad hoc Prosecutor's Office estimates that the total cost of corruption has been between US \$700 million to US \$1 billion. Of this, US \$255 million have been discovered in bank accounts in Switzerland, the United States, and the Caribbean, held by those involved in corruption under the Fujimori government. As of July 2004, US \$173 million had been repatriated, as the following table indicates.

[*Chart]

***Illicitly appropriated money that has been repatriated
(in millions of US \$)***

Minimum estimate

Detected

*Repatriated
Balance*

As of September 2002

As of July 2004

Source: Reports by the Prosecutor's Office (September 2002 and July 2004)

Institutional reforms have achieved increased financial control through the creation of the Financial Intelligence Unit (UIF). Established in April 2003 (Law No. 27693), it began to operate late in 2004 due to delays in the appointment of a director. The director chosen was felt to be, because of his lack of experience in the field. As this study was being written, the UIF reported prosecution of a total of 14 cases. However, since Peru has such a high level of money laundering and drug trafficking (it produces both coca derivatives and cocaine itself) we might expect this total to be even higher.

Progress on tax collection improvement may not require reform has been limited. The modernisation of the National Tax Administrative Superintendence (SUNAT) began during Fujimori's term in office, as part of the second-generation reforms that failed to result in a full reform of the state. Yet the island of modernity that was SUNAT was also captured by corrupt interests and was subsequently used to oppress the regime's opponents. The transition to democracy brought new leadership to the organisation, which has tried to restore some level of the efficiency that had been apparent during the previous decade.

3.e. Public memory

Fujimorism was a corrupt system and it was also an authoritarian regime. Fujimori's corrupt, authoritarian government practised direct repression of its opponents and abused human rights in the name of the fight against terrorism.

To analyse the roots of political violence between 1980 and 2000 and its manifestations, the Paniagua government created a Truth and Reconciliation Commission (CVR). Given that this detailed study was focused on the issue of human rights, the CVR final report only touched tangentially on the problem of systemic corruption, referring to it as the background to the political violence of the 1990s.

To fully capture the scale of corruption during Fujimorism, a systematic analysis and classification should be made of the information produced by judicial investigations: the INA diagnosis, the investigative reports by different journalists and academics, as well as the

content recorded in the "Vladi-videos" --the videotapes in which Montesinos taped his blackmail, payments, and bribery, and his political and criminal ties. (Recently Congress has released three thick tomes that publish the transcripts of the dialogue from a selection of the videos: *En la Sala de la Corrupción. Videos y audios de Vladimiro Montesinos 1998-2000*. Congress of the Republic: Lima, 2004.) Despite all of the progress made and the large number of hypotheses that exist, it is necessary to delve further into the causes that made it possible for the Fujimori system of corruption to exist; and then to disseminate findings to Peruvian society, and to apply the investigators' recommendations. Given the lukewarm reception and lack of interest that the Toledo government has shown towards the CVR final report, and considering what happened with the INA report, we may assume that this will take some time.

4. Conclusions

4.a. Current outlook: achievements and obstacles

There have been important achievements in fighting corruption. That the process is underway at all is an achievement in itself. Never before in Peru have members of the political elite, former cabinet ministers, former congressmen, judges and prosecutors, high-ranking military commanders, high-ranking officials from different institutions, businessmen, and media owners been prosecuted. There are 143 lawsuits pending and the number of those implicated stands at 1,453. More than US \$170 million has now been recovered.

These achievements have been the product of the state system itself, which has confronted not only the power of the survivors of Fujimorism (including Fujimori, who is still engaged in political activity even from his refuge in Japan) but also the lack of support from the current government. It has also tackled the obstacles that arose when the Prosecutor's Office found links between associates of President Toledo (such as his former adviser César Almeyda) and the corrupt actors from the Fujimori administration. Currently, to prevent further investigation of these ties, the government seems likely to terminate the prosecutors' contracts, although this might represent a step backwards. As a result of this, complications are expected because the prosecution of several human rights cases are imminent, and these cases contain most of the material needed to convict Montesinos and Fujimori.

The consequences are already being felt. In a recent poll, 54 per cent of those surveyed are aware of the work being done by the Prosecutor's Office; 68 percent approve, while 43 per cent disapprove. The lack of support, particularly in terms of economic resources, but also because of the government closing ranks and other attacks on anticorruption initiatives, has influenced the public's perception (*El Comercio*, 12 September 2004). Furthermore, during the four years

that they have been prosecuted, the lawsuits have only resulted in 14 convictions, affecting around 1 percent of all those implicated, due to the slow pace of the justice system”.

As for long-term objectives, a significant achievement has been the INA diagnosis and proposals, which have been completely overshadowed by the current government's inefficiency and reluctance to implement them. Not only are the lack of leadership and technical capacity serious problems, but the presence of corrupt interests within the government also hinders attempts to combat corruption. Yet some measures have been implemented, such as the law on access to public information. Implementation of legislation remains problematic, however.

4.b. Current challenges

The lack of authority and strong leadership in the fight against corruption has taken a heavy toll on the country's economic development.

Building leadership is no easy task, especially when political leaders set up agendas according to what they believe the public wants, rather than making real commitments to deal with a country's structural problems, including those that already have precedents (such as the CVR and INA). The weakness of Peru's political party system is a factor that contributes to such populist politics. Although political parties throughout the world went into crisis with the fall of the Berlin wall and with the development of new information technologies, in Peru Fujimorism persistently attacked political actors, accusing them of institutional and economic sabotage at the end of the 1980s. This image of inefficiency and corruption that was conveyed to the population at large has still to be overcome.

The second challenge concerns administrative and institutional reforms, starting with the reform of the state apparatus itself. The experience of reforms of the police, the military, and administration of the judicial branch has not been encouraging. Political leadership is thus needed to propose and defend these and other necessary reforms, including a review of anticorruption laws and the passage of more appropriate legislation, such as the introduction of international mechanisms to which Peru has subscribed (Inter-American Convention Against Corruption and the UN Convention against Corruption - yet to be ratified by Peru's Congress).

Finally, possibly the biggest challenge will be to change society's attitude to corruption. There must be a reduction in the high level of tolerance that people have towards corrupt acts, as verified by the national surveys on corruption,. Without doubt, the work in this field is the most complicated, requiring a broad vision and a long-term approach, but it is also the most urgent area to address because of the gap between state and society. This gap is being reinforced through society's acceptance of the constant acts of corruption that are committed

in a way that is considered nearly natural and of little consequence: bribing traffic police in order to get out of a fine, or paying bribes to the municipality to expedite paperwork. It is essential to combat this because the perception of widespread corruption also has a negative impact on anticorruption initiatives, as illustrated by the social evaluation of work carried out by the Prosecutor's Office.

4.c. Other conclusions and lessons learned

If Peru's struggle against corruption were represented in accounting terms, the country would be firmly in the red. Progress in tackling corruption established during Fujimori's time in office is being threatened by competing interest in the current government. Although the INA made progress in developing a national anticorruption policy, this has now been undermined by the incapacity of the Toledo administration.

Consequently it has not been possible to significantly reduce the level of systematic and institutional corruption. Progress in addressing corruption has been limited to the judicial and penal sectors, and society perceives the current government to be equally or more corrupt than that of Fujimori.

Peru has not assimilated the lessons it should have learned. On the contrary, it appears that were it not for the influence of some social actors (independent journalists, NGOs for citizen oversight) and politicians (strong and effective opposition), corruption would once again become systemic, as the case of César Almeyda demonstrates.

4.d. Recommendations

Improving Peru's political party system is essential, not only to prevent the influence of corrupt interests in political campaigns, but also, more importantly, to encourage debate on public policy.

Reform of the state and other institutional reforms must be resumed immediately. A review of anticorruption laws and legislation should also be undertaken, evaluating their relevance, and, where necessary, proposing legislation that addresses the corruption more effectively.

Peruvian society should also be made more aware of corruption issues and the collective memory of Fujimorism should be reinforced. The INA study should be disseminated to the public along with its recommendations, as well as the results of judicial investigations by the Prosecutor's Office. It is also important to systematically analyse and further pursue information on Fujimorism, how it took advantage of weak institutionalism and Peruvian

culture, how much money was stolen from the State, and who is directly and indirectly affected by corruption. Naturally, this information should also be publicised.

Finally, civil society must be educated in the use of tools and mechanisms for citizen oversight. Many initiatives for oversight exist, but generally these are ineffective when there is a lack of access to information on public administration and officials and authorities withhold it. Thus Peru's citizens need to be informed on the content and scope of access to public information legislation, as well as on civil legislation for citizen participation in public decision-making processes.