

CHAPTER IV
"FOR THOSE OF YOU ATTEMPTING
THIS AT HOME"

MARK LEWIS & FRANCISCO SAGASTI



From a collection of paintings by rural communities, San Marcos Cultural Centre, Lima.

1. The Context for DFID in Peru

Over the course of several meetings, Francisco Sagasti, Head of the Peruvian Research NGO Agenda Peru interviewed Mark Lewis, Head of DFID Peru 2000-2005, about the lessons from DFID's experiences in Peru during these years.

Sagasti: Rosalind Eyben has done a good job at describing the emerging context for DFID work in Peru. But I would like to go over a few points to get a better understanding of the relevance of your experience for others.

In the first place, how much of the policy direction for the DFID programme in Peru came from London? Was there a geographically based Latin America strategy in place to direct your policies? I get the impression that you were given a good deal of room for manoeuvre. This is not so usual in other development assistance agencies.

Lewis: DFID has a clear goal of poverty elimination. All our policies are directed at that. Specifically we are aimed at helping developing countries achieve the Millennium Development Goals (MDGs). Our policy papers all point in that direction. DFID did not have a full-blown, publicly consulted, Latin America strategy for the period reviewed in these writings. There had been a lot of strategising in DFID and a lot of policy papers, and it was felt that another strategy document for what was, financially, a relatively small programme was not justified. But during 1999-2000, Clare Short, our Secretary of State for International Development made it clear that she thought that tackling poverty

in Latin America was important, that DFID should be engaged, and that we should get more strategic about our support.

Within these overall objectives, DFID believes in the "country-led model". Unlike some aid agencies, DFID country desks have considerable room for manoeuvre on country strategy programming. In the case of Peru, much of our assistance was coming to an end in the last years of the government of Alberto Fujimori, which provided us with a cleaner slate.

At the same time, while unique, Peru shares similar challenges to other countries of the region, so our strategising was set in that context, and we believe that the lessons from our programme are relevant both to these and a wider group of not-so-poor countries.

Sagasti: What was meant by "get strategic"?

Lewis: Well it meant becoming engaged on those policies and practices that are crucial to poverty elimination. It meant analysing the causes of poverty, not just dealing with the symptoms. It often means reaching up from implementation activities in the "field" to national level policies and programmes.

The DFID Latin America programme had always been managed out of London, and this made it very difficult to sustain a dialogue with key people in country, both in government and in wider society. So in practice, getting strategic also meant beefing up our in-country presence, and devolving sufficient authority, something many donors have shied away from.

Sagasti: Peru is considered a middle-income country, although we have had more than 50 percent of the population below the poverty line and about 20 percent below the critical poverty line for nearly a decade and a half. DFID has been thinking a lot about aid to middle-income countries. Rosalind Eyben discusses this. Was Peru's middle-income status important in shaping DFID's programme in the country?

Lewis: It is always a shock for Peruvians to hear their country classed as middle-income, because there is so much poverty around them. But from an economist's

viewpoint, Peru is middle-income, with an average income of over \$2000 per head. This is more than twice the level below which countries are classed as low-income — on the OECD (Organisation for Economic Cooperation and Development) classification. Economically, Peru has achieved a certain level of development. On the other hand, poverty is rife, as you say, which taken with average income levels, is a direct indication of income inequalities in the country. One reading of this is that Peru is not so developed, socially and politically.

This logic has caused us to think hard about the root causes of this disjuncture between economic and social and political development, of the inequalities in Peruvian society; what lies behind them and therefore what the responses should be. And secondly about the appropriate role for a donor in all this. If we argue that a country is economically less deserving of financial assistance than a low-income country, even that it has the funds to pay for any international technical assistance, what role can a donor then play? What can a donor provide? So Peru's middle-income status and widespread poverty caused us to focus both on inequality and on the role we should play.

Sagasti: Let us take this in parts. First, were you explicitly asked to address inequality?

Lewis: As Rosalind Eyben mentions, the 1998 report by the Inter-American Development Bank on inequality in Latin America was influential at that time. The report calculated that if Latin American incomes were distributed as evenly as those in East Asia, there would be virtually no poverty at all in Latin America. Of course, this is a static mathematical calculation but it gives a sense of the size of the issue. DFID Ministers were and still are concerned about inequality in Latin America, the most unequal region in the world

Sagasti: I want to press you on this point. There can be a trade-off between poverty reduction and inequality, as when there is growth in the incomes of the top and bottom segments, but the incomes of the richest segment rise faster than those of the poorest we would have less poverty and more inequality — a situation that has become rather common in many countries. Ideally we should have both rising incomes and diminishing inequality but this is rarely seen nowadays. How would you characterize the policy steer for DFID in Peru in this regard?

Lewis: The central steer is poverty reduction. But there are a number of "technical" reasons why inequality is bad for poverty reduction. For example, the more inequality, the less any given level of growth yields in terms of poverty reduction. Also inequality can spawn social conflict and other costs on the economy that are bad for development and poverty reduction.

But more fundamentally, there was a belief held by DFID Ministers, and shared by many in Latin America and beyond, that the continent could be doing much better on poverty if it started tackling inequality, through a greater commitment to those at the "bottom end of the spectrum", through a greater concern for distributional issues. And not just through welfare, often the interpretation in many Latin countries. But through coherent and comprehensive political, social and economic policies that are much more inclusive of poor people.

Sagasti: Were you being asked to concern yourselves specifically with income inequality?

Lewis: This was not addressed explicitly. Most of the development business literature tends to concentrate on economic inequality, primarily in incomes, but also in assets, whether physical, human or financial. But many of these can be seen as related to fundamental inequalities of a social or political nature, understood in terms of entrenched power relations. It is this focus on the social and political dimensions of inequality that we have engaged with in Peru, as described in these writings.

Sagasti: Returning to the second aspect of working in middle-income countries, the role for donors. DFID, globally, appears to hold the view that there is limited international consensus on the purpose and objectives of aid to these countries.

Lewis: The emergence of Poverty Reduction Strategy Papers (PRSPs) has represented a step forward in shaping the relationship between aid recipients and donors in Low Income Countries (LICs). LICs produce coherent and comprehensive long-term strategies for tackling poverty that donors — both multilateral and bilateral — can get behind. Although rarely expressed in these terms, these PRSPs can be seen as a form of compact. But PRSPs are essentially only for LICs or those just graduating to middle-income status. There is no

equivalent for middle-income countries, and there are few broad rules for engagement with these countries, even though as a group, they receive getting on for half of ODA (overseas development assistance).

One of the objectives in the Peru programme was to contribute to DFID understanding of poverty issues in middle-income countries, and how the international community should engage with them. Two early conclusions from our experience in Peru were first that attention to inequality and distributional issues is required for effective poverty reduction. And second that the international donor community could focus on supporting processes that tackle these, rather than assume that their role is either just to provide money or international know-how — which may well not be the main “missing ingredient” in a country like Peru.

Very often the problem is not lack of knowledge about what to do to reduce poverty — the premise on which much international technical cooperation is founded — but how to do it, in any given political context. This is especially the case in middle-income countries where the “knowledge gap” with rich countries is small or indeed negative in some areas. To take just one example, the British Government has been to Peru to learn from Peru’s policies promoting citizens’ participation in management of the health sector.

Sagasti: Well I think you are probably exaggerating the success and usefulness of the PRSPs in the poor countries. The record is quite mixed and many of the old vices in donor-recipient relations still permeate the PRSP process in many poor countries. Also there is the Comprehensive Development Framework for greater coherence in articulating support to middle-income countries. But how have you actually found the coordination of aid in Peru?

Lewis: On the whole, I think Peru is a good example of a middle-income country without a clear sense of direction for its international support. The Millennium Development Goals are becoming more prevalent now in Peru in the discourse of the aid community and the multilateral organisations. But the multilateral banks cover a very broad canvass in their lending, without a strong focus on poverty and exclusion. Among the bilateral donors, many have already left Peru, because it is not so poor by global standards, and those that remain are a varied

group where poverty reduction is only one objective. Security, drugs control, commercial, cultural or political objectives may be equally or more important.

This diversity of interests on the "supply side" has sometimes been met with a lack of clarity on the "demand side". The Government has not always been good at articulating its plans and needs. The absence of clear, comprehensive strategies makes strategic orientation more difficult. The Peruvian aid coordination agency (APCI) recognises this and is working on sorting this out, but the lead has to come from government overall. We supported the early efforts of the Toledo government to articulate a comprehensive poverty reduction strategy, finally adopted in early 2004, but it has not developed into a powerful guiding light, either for donors or for government.

We have also invested heavily in promoting greater donor coordination in Peru, which has taken a lot of staff time. This has been appreciated by many donor partners locally, but has not always influenced donor headquarters policy.

Sagasti: So I understand that DFID had a broad remit to get strategic in tackling poverty and inequality in middle-income Peru, in a context of limited international community consensus on this issue. One more point of context. You were establishing this programme just at a point of democratic opening in Peru. John Crabtree calls it the "Lima spring". To what extent was the DFID programme affected and enabled by the particular conjuncture of democratic opening? Do you think your programme would have been the same had Fujimori managed to stay his third term in office?

Lewis: Certainly the restoration of more democratic government has been a major feature shaping and sustaining the DFID programme, without which the programme would have looked very different. But I do not think that a concern for political development would have been out of consideration if President Fujimori had continued in power. I would speculate that the more democratically legitimate a government, the more a donor will be happy just to work with government, and the less legitimate, the more the donor will wish to work with broader society. Over time, and over longish time periods, donors may seek to drive their programmes putting more pressure on one "pedal" or the other, in

order to stay the course in the concern for poverty reduction. Under a third Fujimori term of dubious legitimacy, we might have found ourselves largely confined to working outside government. But in the absence of government buy-in, we would have been pushed hard to find a way to do this in a legitimate and wholly constructive manner.

Sagasti: I conclude from this that you were given a fairly broad remit, with a lot of scope to develop the programme. You were lucky. Some other agencies might not be as flexible as this.

Lewis: Over the period under review, we also benefited from a successive process of devolution from London. I am sure that this was important in enabling us to attune our programme to the realities in Peru, and to be able to respond quickly and flexibly to developments — something that was highly appreciated by our partners and often envied by other development agencies.

2. How DFID Organised Itself and Worked with Others

Sagasti: Turning to the way DFID was resourced in Peru. You were not given a large budget to spend, by DFID standards, or indeed by the standards of some other donors in Peru. How did this affect you?

Lewis: Because of its income level, Peru was not eligible for a significant DFID aid programme in financial terms. Our country programme budget has averaged about £3-4 million per year. One of the questions we asked ourselves was what size budget we actually needed to “make a difference”. At one level, of course, the more money the better, but this is not without its own risks. You risk spending all your time looking for ways to spend the money and then looking after it. The energy needed to search out the good ideas, policies and practice can be lost.

On the other hand, all new ideas and approaches have to be contextualised. Anything new that we support in Peru has to be firmly grounded in local realities, generating local knowledge and understanding. Money is needed for this. But we have not managed to work out the minimum “critical mass” that is needed to “make a difference”.

Sagasti: I am glad you mentioned the issue of critical mass, primarily because I think it has three different dimensions and most people focus only on one. First there is the “quantitative” critical mass in terms of amount of resources of all types; second, there is the “qualitative” critical mass, in terms of the characteristics

of resources at your disposal; and third, there is the “interface” critical mass in terms of the interactions between the resources at your disposal and between these resources and the context in which you operate. You can have a huge amount of quantitative resources that largely exceed the critical mass in the first sense, but you may not have the quality or interface dimensions of critical mass. In fact, “throwing money at a problem” reflects very much this situation. It seems to me that you managed to make up for your lack of quantitative critical mass by gathering qualitative and interface critical mass in the design of your programmes. You evidently had a good quality team in place. But you did not have many staff?

Lewis: Due to British Government rules, the small size of our programme budget meant that there were limits on our administrative budget including staff numbers. In accounting terms, staff working in our office are regarded as an “overhead” essentially serving DFID, rather than as a resource that adds value to the programme, to benefit Peru in this case — much as we hate to see ourselves exclusively or even largely in these terms! The rule is a real shame because it has very often been our human resource rather than our financial support which is most valued by our partners, as is brought out in previous chapters. “Influencing” rather than “buying” national policies or multilateral institutions by definition requires staff not money.

Furthermore in Peru, we were sure we needed inter-disciplinary skills and we developed a team with advisory or technical skills in governance, social development, health and economics. We had four administrative staff, making a total of eight staff in total. This is small but I agree with you and others that it was a quality team.

Crucially, we recruited two locally appointed staff into key Advisory positions. This meant that the advisory group, including me, that took the major strategy and programme decisions, was evenly balanced between international and national staff, both in terms of numbers and largely in terms of hierarchy. The Peru voice was given forceful expression in the office, which I think was very important in shaping our approaches. It gave great local knowledge and contacts. But most importantly it gave valuable insight into how many problems lay in the political, not in the technical, domain.

Sagasti: I understand that not only did you have Peruvians in relative positions of power, but that they were also front-line staff who were expected to represent the British Government. Did this present any problems?

Lewis: This is an interesting question. When you recruit high quality staff with a strong commitment to, and experience in, tackling poverty and exclusion, from within a relatively small pool, there is a good chance that they will be known, if not publicly, then among a wide range of development actors. In a country where politics is considerably polarised, this can make interlocution more difficult.

But when you recruit quality staff, they assimilate policies quickly, and they should be sensitive to the fact that they have these dual responsibilities, as Peruvian citizens on the one hand and as representatives of the British government on the other. This is not always easy and takes some working at, but the investment pays off handsomely. In other bilateral aid agencies, we tend to see local staff relegated to positions of project oversight, so we have gone one step further on this.

Sagasti: Rosalind Eyben suggests that DFID ran the risk of being co-opted by agendas of national staff. Any comment?

Lewis: There is always that risk. But international aid bureaucrats also carry their own baggage with them. We may be rather naturally drawn towards close associations with recipient country elites. The important thing is that we are all aware of how our backgrounds shape our relations.

Sagasti: DFID also devoted resources to understanding Peru, in particular you took a long view on the country's history and development. This is rather unusual for a bilateral agency, and indeed for most development assistance organisations I know!

Lewis: International cooperation typically does not take the long view, almost certainly because of the political pressures on all governments, to help deliver rapid progress in developing countries. The need to focus on the near future militates against an analysis and acceptance of the long time horizons needed for most development, notwithstanding the incredibly rapid progress in some parts of the world in the last half-century.

But in the last few years, DFID has begun exploring the longer run, to understand the deeper factors and incentive structures that support and hinder development in favour of poor and excluded people. In Peru, we certainly worked with this trend, maybe we were ahead of it. Your own work, Francisco, which brought together the deep cultural understanding of Gonzalo Portacarrero, with the medium term political analysis of Martin Tanaka together with an interpretation of the role for the international community in supporting “pro-poor change”, has I think influenced the framework of what became known within DFID as work on “Drivers of Change”. This now firmly directs analysts to look at deep structures, medium term institutions and current agency.

This work was certainly very enriching in helping us to think about poverty and exclusion in Peru at different levels — the deep structures of authoritarianism, violence and discrimination; the medium term opening of social, economic and political institutions of the last 50 years; and the key actors today, who the powerful stakeholders are. It gave us clear insights into the unequal distribution of social, economic and political power in Peru and some ideas on how to go about engaging with this.

Sagasti: As you mentioned, it is noteworthy that much of this research work brings out the issue of power relations. Rosalind Eyben and John Crabtree described how this clearly had an important impact on shaping DFID’s strategy in Peru, in ways that were perhaps novel for most bilateral aid agencies.

Lewis: The combination of seeing Peru through a middle-income country lens, characterised by high levels of inequality, be this economic, social or political was undoubtedly key in shaping DFID’s strategy in Peru. And, in keeping indeed with your own advice, Francisco, we took as our entry point the medium term institutions shaping the country, with a strong focus on political institutions.

As I said before, the “democratic opening” in Peru in 2000-2001 certainly encouraged and perhaps enabled this focus on political institutions, on a deeper consideration of how rights and democracy mesh with economic and social development. In Peru and much of Latin America, the Human Rights, the Democracy and the Development communities are in many ways all rather separate and distinct from each other. We developed a focus on how these different

communities might join together, seeking to help agendas converge, rather than run in parallel.

Sagasti: As Rosalind has said, this has meant working on both sides of the state-society equation, with both "supply and demand", with both government and civil society. Was that a problem for an official bilateral agency?



Photo: Victor Malliqui

Lewis: There is a default mode that official development agencies work with governments, at least to a very significant extent, and the international NGO sector works very largely with civil society. But this does not have to be the case. If the logic of a strategy suggests working with both state and society and the host government is content with such a strategy, there should be no problem in principle for an agency like DFID in pursuing such a strategy.

In Peru, under the Toledo government, this has largely been the case. We worked with both government and wider society in putting together the country strategy of working "both sides of the equation" and this was discussed and agreed with APCI. Subsequent programmes with civil society were shared with APCI and in instances where a programme involved both government and civil society, it was signed with the Peruvian Government.

But there have also been tensions. As described by Fiona Wilson, for a period the administration was not content with some of DFID's support for civil society in the health sector, though subsequently this problem was resolved. Equally our association with Oxfam, through our Human Rights programme, has caused tensions because the Oxfam family has taken a strong stance on the impact of mining operations on local communities.

Sagasti: Well you have been quite fortunate. The situation was very different during the Fujimori government, which had a definite anti-NGO, anti-civil society

stance and used SECTI (Secretaría Técnica de Cooperación Internacional), the predecessor of APCI to harass independent think tanks. This attitude still prevails in some members of Congress.

I would like to return to this. But I would like to explore for a moment this concept of working with representatives of both government and civil society, and in fact working together with a broad range of people and organisations. How did DFID work out this strategy of supporting networks and alliances to promote change in favour of poor people?

Lewis: We knew we wanted to help Peru tackle inequality and exclusion, and we were opting to do this through supporting the development of more inclusive political institutions — by promoting rights and citizenship, through a focus on strengthening state-society relations. But we still had to work out our comparative advantage in this, as a donor, as DFID, the UK official bilateral agency. It was only gradually that we did this. Our “natural” partners were the Government and official multilateral and bilateral agencies. But we were also a donor that was willing to reach out to civil society in a strategic and systematic way, and gradually we carved out a role that involved sharing knowledge between different groups, connecting different actors, and facilitating or supporting new relationships.

Gradually this evolved into a more political economy reading of development, with an explicit recognition and understanding of supporting alliances for change. But it took us time to reach this position.

Sagasti: One aspect of this multi-actor working has been DFID’s desire to work with or even lever the international community, particularly the multilateral development banks. Did you have any guidelines from DFID headquarters on working with the World Bank and the Inter-American Development Bank?

Lewis: One of the advantages that DFID has — which it shares with some but not all bilateral agencies — is that we are responsible not only for the UK bilateral programme but also for the UK interest on the boards of the multilateral development banks. So DFID staff are encouraged to think about the multilateral and bilateral effort together. This does not mean that DFID staff who work on

board level issues are always in perfect harmony with bilateral programme staff, but we work at it. There are 101 ways of engaging with the Banks, but DFID has no single handbook on this, and at country level, this is where the art of relationship building kicks in.

Sagasti: In the examples of your work covered by John Crabtree and Fiona Wilson, working with the Banks did not come across as strongly as I expected it would. Rosalind Eyben says you found yourselves working with those who were "conceptually closer". What was the situation?

Lewis: This is a rather long story, but I will try to be brief. From 2000, DFID was very focused on the fact that it was a tiny agency both in Peru and in Latin America more generally. Our logic led us to conclude that if we were to add any value to development processes, we should seek to work in a coordinated way with the more weighty actors, in particular with the multilateral banks that were judged as contributing with much technical expertise. To some extent, at the beginning, I think we rushed into trying to establish close working relations with the Banks, almost for its own sake.

But three things happened. First, we started to think hard about our comparative advantage, compared to the Banks, which itself required a degree of independence. Second, we stepped back from too close a relationship with the Banks, in order to deepen our comparative advantage to avoid being co-opted to their agenda. And third, we worked out what we thought was a better way of working with the Banks to support a more inclusive agenda.

Sagasti: Well, did you work out a comparative advantage?

Lewis: I believe so. Tackling the inclusion agenda set out in this book is not that easy for the Banks. Almost by definition, excluded groups are not high on government agendas and to put them there requires support, for example, for mobilisation and advocacy activities. Few governments will be prepared to borrow hard money from the Banks in order to support the "demand side" activities of these advocacy movements. Bilateral agencies such as DFID, in contrast, can provide grant funding to this "demand side" that the multilateral banks cannot reach. Once the agendas of those previously excluded become more mainstream,

we might hope there is then more chance of their picking up government and Bank loan support.

Second, and as a consequence of the first, the Banks' vision and culture may not, in our view, always give enough focus to reaching the excluded, so this is where DFID can respond with its particular expertise in social and political development. Third, there are some areas that the Banks have traditionally feared to tread because of the legal interpretation of their charters, for example, working with political parties or an explicit engagement with a rights agenda, though this is changing over time, with both Banks becoming more flexible. Finally they may not go forward without the support of the wider bilateral community, for fear of being seen as behaving too dominantly. These are all structural reasons as to why a bilateral such as DFID can add value.

Sagasti: And did you avoid co-optation? For example when you undertook your participatory poverty assessment (PPA) with the World Bank, did you manage to overcome the “technocratic bias” of World Bank experts, or were you steamrolled by the World Bank juggernaut?

Lewis: The PPA was actually quite early on in our relationship with the Bank in Lima. When we were putting together our respective strategies for working with the new Toledo administration in 2001, the Head of the World Bank office in Peru and I both noted that there were many expert analyses of poverty in Peru, but few if any systematic attempts to get the views of poor and excluded people themselves. The Poverty Forum (1998-2001) supported by many donors, including the World Bank, IDB and DFID, had promoted public debate of poverty policies, reaching out to the poorer regions, but this process with its large scale workshops had never managed to get the direct views of poor people.

So we embarked on a PPA, which was rather more hurried than we would have liked, driven, rather typically, by our own organisations' deadlines. Working with the Bank was as ever a learning experience. We were faced, for example, with the choice between wide open forms of questioning, which would more honestly allow people to put forward their agenda into an “open space”, and directed questioning which ensured the generation of “useful” data but begs the question of useful for whom. I would say the majority of staff in the Bank, or

indeed DFID, come from the "technical" school. This is my own background as well. As an economist, I was brought up in the school of "experts knowing better" and it is not easy to make the step towards giving sufficient weight to everyone's right to self-expressions and self-determination.

But I think it would be wrong to categorise the World Bank as a juggernaut, or indeed homogenous. You have worked in the World Bank, Francisco. I haven't. But my experience is that there are plenty of reformers looking for new ways of working. Indeed our strategy has been to try to work with the like-minded reformers, working with them as part of the alliances for change.

Sagasti: So why the need to "step back", I think you said?

Lewis: Well there have been occasions when the Banks' culture gets the better of them. As with many large organisations, sometimes they are not the greatest listeners. As *the* leading development institution, the World Bank for example, also hits hard. You need very solid grounds when engaging with them, so we had to be sure of these, on issues of political economy, on accountability, on participation or on rights.

One current project with the World Bank not covered by this book is a piece of analytical work reviewing how to improve accountability in the social sectors, which picks up on many of the demand side issues that DFID has grappled with over the last few years. I do think this has played to our "comparative advantage".

Our strategy for engaging with the Banks has developed into one that tries to incorporate the international community, including the Banks, into supporting virtuous circles of change. This should be conceived as building up a momentum of support for change among domestic actors, from both state and society, which incorporates the support of the Banks. Rather than a strategy based on the linear logic of DFID adding value to the World Bank, which in turn adds value to Peru. The point is that the Banks are not external to local incentives. Loans will reflect government interests and the interest of excluded groups may not be high on these agendas.

Sagasti: Well why not just tackle the issue head on, in the Banks' boards?

Lewis: We do that as well. At almost every Peru strategy meeting, the UK delegate calls for a greater focus on poverty and exclusion. The two approaches are complementary.

Sagasti: It is clear from this and the preceding chapters of this book that “investing in relationships” was important to DFID. How did this come about? And what are the key elements of this approach?

Lewis: I think that the political economy approach of looking to work in alliance with others interested in supporting change in favour of poor people naturally leads one to a focus on investing in relationships. Working in alliances requires trust and trust requires investment. What that investment looks like has been well described by both Rosalind Eyben and Fiona Wilson, but it certainly has key attributes like developing horizontal relationships, transparency and mutual accountability. These have to be constructed, and this has not always been easy. In theory, it is easier when you are the more powerful partner. You have the choice to cede, but this does not come easily. With a more powerful partner of course, you have to somehow find ways of encouraging them to cede. All of this, we have had to learn over time, sometimes rather painfully. Much of our learning has come from our understanding of rights-based approaches.

Sagasti: Well, it seems that you and your colleagues at the Peru DFID office ended up playing a variety of roles that are not normally played by bilateral development assistance agencies. At different times you were a source of funds, facilitators, advocates, convener, experts, experimenters and partners to other agencies. Did this variety of roles create some sort of “multiple personality disorder” for you?

Lewis: Well it may surprise you, but the answer is a resounding “no”. Although we have experimented with different approaches, we always had a clear goal of supporting people and institutions committed to pro-poor change. What we learnt over time was that the quality of the relationship was key to earn respect and credibility and to achieve common objectives. Trust is something one earns. This is also valid for a donor agency.

Sagasti: Another point that comes out clearly from the contributions in this book is the flexibility that DFID has shown in managing its projects. This was particularly highly valued by state and civil society partners alike.

Lewis: Like any aid organisation, DFID has its tomes detailing aid procedures. But there has been a concerted attempt over recent years to simplify these, especially for smaller projects. We also had a small fund, the Strategic Impact Fund, which allowed us to make very quick decisions in what is often a fast moving policy environment. Our larger programmes that involved building relations and alliances to promote pro-poor change were typically designed with a flexible structure. Relationship building does require flexibility on both sides.

3. Results, Challenges, Consequences

Sagasti: I would like to turn now to the results of DFID's work over the last few years, as discussed by John Crabtree and Fiona Wilson in particular. Perhaps I could ask you first about the DFID focus on rights-based approaches. What do you think this has contributed in Peru? What lessons can you draw from this focus on rights?

Lewis: This has a huge number of dimensions, but perhaps I can mention two or three. First, rights-based approaches, at their core, highlight the issue of power relations, and the political nature of development. Having a "right" is much more politically empowering than having a "need". Historically the poor and excluded, as we donors call them, had to struggle for the realisation of successive rights, civil, economic, political and social. This provides a whole new lens for understanding, relating to and supporting development, in this case in Peru. I believe DFID has helped generate a better understanding and application of this among a variety of actors in Peru.

Second, the question then arises as to the legitimate role of donors in such affairs. I am not sure that DFID ever got to the point in Peru where we were fully tested on this point. Rosalind Eyben says that there is little evidence "we went the extra mile" to focus on changing power relations within society, as opposed to improving relations between state and society. I think this is a fair comment. The Participatory Rights Assessment Methodologies (PRAMs) project described by Fiona Wilson, I think, would have taken us firmly into the territory

of changing power relations, as we sought to support people's own strategies for the realisation of their rights. But the time frame has proven too short.

Third, rights-based approaches force donors to look at their own behaviour, at how their own relations need to change if they are to create the space for excluded people to exercise their rights. Marfil Francke has described this very well in her contributions in this book.

Sagasti: Where does the DFID health rights project fit into this scheme?

Lewis: I think this is an extremely interesting project that, despite its infancy, has already picked up international recognition from different quarters, for the way in which it has set to work with the Ombudsmans' Office, with civil society and with the Ministry of Health in alliance on the issue of health rights. The programme was instrumental in helping us towards our understanding of support for alliances. Particularly rewarding is the way the programme has supported the Ombudsman's expansion into the defence of social rights, in both health and education, from its previous concentration on civil and political rights.

However, the programme essentially has a "top down" strategy. The support has not emerged from the one-quarter of Peruvians who do not access modern health care, autonomously "claiming spaces" to push for their right to health. It derives more from the commitment of the "enlightened", and to organised civil society at both national and local level, to the cause of these marginalized people. The programme is creating "invited spaces" for poor citizens to claim their rights. Ultimately the programme is less threatening in this sense.

Sagasti: Maybe this programme was more about extending fuller citizenship and citizens' rights to all Peruvians? The Identity programme described by John Crabtree is also on these lines.

Lewis: In many ways the Identity programme sums up DFID's support for more meaningful citizenship. Those who lack documentation, perhaps 5% of the population, are the "ultimate excluded". But this is the tip of an iceberg of different inter-related forms of exclusion in Peru. The work of the Truth and Reconciliation Commission highlighted that those people whose political and

civil rights were most abused, were precisely those who have least enjoyed economic, social and cultural rights. The work of the Truth and Reconciliation Commission has been extremely important, and we have tried to ensure that its messages remain alive.

Sagasti: The contributors to this book also emphasize the programme focus on active citizenship. There has been something of a boom in participation under the Toledo government. What do you think has been DFID's main contribution here?

Lewis: Again, I think it is because we have worked with others to go beyond participation, say, as a means to more efficient and effective services, to participation as a right. Citizens have a right to participate in decisions affecting their lives, at different levels. Some people might say they also have a responsibility to participate, though such a responsibility can be a heavy and risky burden for hard pressed unempowered "marginalised people". So we have worked hard at supporting active citizenship, at many levels, particularly in local government, with a specific concern for how the less powerful can participate.

One project not covered in this book was our support for community and parental participation in school management in rural areas. Many parents want more involvement in ensuring adequate education for their children and we have endeavoured to support this participation as a right. This has been a groundbreaking approach, with the Ministry of Education, and with the World Bank, which we hope will be sustained with World Bank and other donor support.

Sagasti: Can I turn to the work you have undertaken with political parties. That is a very new and different agenda for a bilateral agency. It also seems like an enormous task. Sisyphus comes to mind!

Lewis: Possibly. As John Crabtree and Carlos Santiso have described, we were concerned to bridge the two communities, of Development and of Democracy, the former with its focus on development as a technical non-political process, and the latter with its focus on procedural aspects of democracy, ignoring the policy content under debate. The approach to political parties reform and

development, is again essentially top-down, but it is providing some interesting lessons.

The National Democratic Institute (NDI) project that approaches Peruvian political parties with the offer of helping them to think about poverty, is very interesting, not only because it is working on political party capacity to engage on these issues, arguably badly needed. But also because, in contrast to much development practice, the project does not arrive with a single poverty reduction handbook under its arm. Rather it offers to help explore any given political party's view on attacking poverty and exclusion, recognising a possible divergence of views on this.

Sagasti: How easy has it been to work beyond government with opposition political parties?

Lewis: Well, this has proven more straightforward than you might imagine. Our approach has been to come to the table with the values of the present government in the UK — in the broadest terms, our global concern to tackle poverty. And through our association with NDI, we have been able to establish a space that is non-partisan beyond these terms, to deepen an understanding of poverty, with all the political parties who wished to take up the offer. Of course, some were more responsive and capable of doing so than others, but there was no division in terms of position on political spectrum.

This experience has not been as risky or contentious as some might imagine. There has been good and rising demand from the political parties, and I am sure that this would have grown substantially in the run up to the 2006 general elections.

Sagasti: DFID has also been doing some useful work on the "fiscal pact" between state, civil society and the private sector, to reinforce the compact between these three key actors, so essential to reducing poverty and improving living standards.

Lewis: Yes, this work, looking at the equity and governance aspects of the taxation system, only got to an early stage. In common with many countries in Latin America, the overall tax effort in Peru is relatively low, and over concentrated in

some sectors, with little dependence on direct taxes. It is now increasingly recognised that this fiscal thinness tends to weaken the relations between the state and its citizens and may contribute to weak systems of representation. However we only got this work to the study stage, together with some initial work with the IDB. We had hoped to move forwards to help put it more onto the public agenda.



Photo: Victor Melique

In general, most of the work over the last few years has been at a very early stage, and typically backed with limited resources. But I hope and believe that we have managed to work with prevalent trends in Peru, and help plant some new seeds.

Sagasti: Well let me press you on that, on what impact you have had. As a small donor contributing, perhaps as one of a number, to some of these complex processes that you have mentioned, how do you go about measuring the results and impact attributable to DFID?

Lewis: Like many donors, we work with the logical framework, with its indicators at output and impact level. This gives reasonable measures of outputs, and satisfies “audit” requirements. But outputs are sometimes little more than completed activities (studies, trained people, networks established, etc.) and such an approach is not very satisfactory for measuring impact, or more so longer-term consequences, and attributing this to DFID. The logical framework with its embedded linear logic also has its limitations for dealing with the complex processes that many of our initiatives have supported.

One option at a programme level is the social audit approach of getting other opinions on your performance, a technique favoured by some United Nations organisations. Another more micro view, suggested by Robert Chambers,

is that of "plausible stories", the construction of indicative stories that show at least some associational relationship. For example, it is unlikely to be complete coincidence that the Ombudsman's Office is developing a focus on the defence of social rights at the point that DFID has been providing specific support on health rights. These qualitative evaluative techniques are more intensive but can be designed to generate mutual feedback and institutional benefits which would justify this. To some degree, this book is an attempt in that direction, though it also had to serve a dissemination objective.

Sagasti: Well I know that question was a difficult question, especially in such a messy and complicated country like Peru. Let me change tack again and ask you, what would you say have been the most significant challenges in developing the programme?

Lewis: The whole experience has been an exciting and stimulating challenge. The lack of a clear policy framework for engaging with a middle-income country with high levels of poverty, the relatively unexplored ground on ways to help tackle inequality and learning how to work more effectively in broader alliances have all been a test. At the core of this is the challenge of how, as a donor, to manage processes that deal more explicitly with politics and power relations, of how to work with political processes.

Sagasti: I wanted to get to that. All the contributors and you yourself have, rightly, pointed out the more explicitly political nature of many of DFID's activities here in Peru over the last few years. What has DFID done to ensure that it has acted legitimately and accountably?

Lewis: Dealing with rights, citizenship and democracy certainly takes a donor into grounds that are more sensitive than normal. The first general principle for dealing with this is to "put yourself into the picture", to accept that you are one of the actors in the play, rather than hide behind the curtain whispering directions. This means being totally open, honest and transparent about your values and your actions. We have tried to fulfil on this. Our overall strategy was agreed with APCI. All our main programmes have been worked up with government and discussed and agreed with APCI. We have made public, information on all our programmes.

I think we could probably have done more in terms of systematic reporting on progress with our programmes, both to the state and to wider society, as well as to those affected by our programmes. With hindsight, we should have put more effort into this. It would have been particularly interesting to have worked more closely with the Congressional Committee responsible for international development cooperation, to have exposed our actions to their scrutiny.

Sagasti: But you did run into difficulties of opinion with the Peruvian Government over health. How were these resolved?

Lewis: The story is as recounted by Fiona Wilson. We put together a programme of health rights with the Ministry of Health, with the Ombudsman's Office and with inputs from civil society, and we reached agreement with all parties on the programme. But later the Ministry raised some objections. One was that it would prefer all the resources for civil society activities to be channelled through the Ministry. We were not content with this proposal since it undermined the basic principles of our overall agreed strategy and those of this project in particular. So we made a number of changes requested by the Ministry but stuck to the principle of providing some funds for civil society for research, advocacy and citizens' participation in health management.

Ultimately, but only after changes in the Ministry, these revisions were agreed with the Government. Had there not been changes, we would have been faced with a dilemma. If a government does not want you to work direct with civil society, few choices remain. Typically northern governments may channel funds through northern to southern NGOs, but this is far from a transparent response. Maybe we might have sought to put the issue more into the public domain in Peru for legitimate local democratic debate.

Sagasti: Are you saying health rights issues were not the subject of legitimate local debate in Peru?

Lewis: No, clearly there is a vigorous debate, in particular on sexual and reproductive health rights issues, but there has been rather less discussion on the role of the international community in supporting that debate. Under the current Health Minister, our belief is that this has improved a great deal.

Sagasti: You say that you could have paid more attention to the issue of legitimacy and accountability. What else do you think you did not pay sufficient attention to, within your strategy?

Lewis: First, one set of issues concerns "discourse". We tried to support the development of new approaches in the Peruvian development debate — rights-based approaches, political accountability, tax effort. But there are many interpretations of the meaning and application of these concepts and words, and it is interesting how meanings get subtly mutated and transformed over time by different actors, as discussed by Fiona Wilson. We probably should have put much more effort into helping a deconstruction and re-building of these ideas in the Peruvian context, and been much less ambitious about how quickly we could expect to achieve this.

We were also so busy doing things, that we never got round to bringing our messages together in an effective communication strategy. To some extent the current exercise, this book, rectifies this lacuna but with hindsight. I think we should have had a permanent Communications Officer to ensure a good understanding of our values and strategies, not least to overcome "discourse" confusion.

Thematically, we might also have shone rather more strongly other torches on the Peruvian context to see the country with different lenses. A stronger gender analysis would have helped us in a better appreciation of power relations and public-private boundaries. Personally, I would also like to have spent more time with a discrimination lens. But we were already at full stretch and unfortunately we had not found the time to engage in depth on these issues.

4. Looking Ahead

Sagasti: Mark, turning to the future, you personally know Peru well, and in the last few years, DFID Peru has adopted a considered perspective in this country. From your personal viewpoint, where do you see the country going on all this? Is Peru on the right track?

Lewis: There are far more informed minds working on this, than anything I can bring to bear. There are some very pessimistic views that the country might fail to get to grips with its racial, ethnic and social diversity and inequalities, risking some form of “balkanisation”. At the other extreme, I recall the previous IDB Representative, concluding that the energy and flair of Peruvians meant that the country was “condemned to success”. I suppose that I am somewhere in the middle, with a professional lean towards optimism.

Social processes are generating new forms of integration, probably not well understood today, and many indicators demonstrate a gradual improvement in well-being. But it seems to me that there are risks that the struggle for, and resistance to, more equal power relations in Peru will generate continued conflict and also that a good proportion of the population — those who live in extreme poverty in rural Peru — will continue to be left out. History tells us to expect Peru to continue to “muddle through”, though I would love to see more dramatic progress.

IV. "For those of you attempting this at home"

One factor will be how the new political institutions plays out: whether the political parties can "pull themselves up by the hair", whether the new deliberative spaces of participation can play an effective democratic role, what new political spaces are claimed by the poor and oppressed themselves.

Sagasti: So what do you think the international community should do to support Peru in these challenges?

Lewis: I think we should seek out and back the reformers in government and in wider society who are looking for a more cohesive and inclusive Peru, a more equal and fairer society, and one which is much more able to negotiate its conflicts without recourse to violence. I feel that to do this, cooperation does need to work systemically on "both sides of the equation" helping to build channels of effective and accountable political intermediation. The United Nations family, led by UNDP has many of these traits, not least in its direct appeal to ethics. Overall, European Union cooperation is also heading in this direction.



Photo: SERVINDI

Maybe the biggest challenge is for the multilateral banks. As banks, offering loans, their (direct) client is the government, and so the democratic quality of their support will tend to reflect the quality of the representative democratic system. In recent years, the Banks have sought different means of direct contact with wider society. Making this more systematic will be an important task.

Sagasti: Do you think any of this is applicable to DFID and international cooperation with other countries?

Lewis: I think a lot of it is highly relevant. The Peru, and wider Latin America, case makes it evident that economic development — as measured by increases in

average incomes — may have limited impact on poverty levels. A concern for distributional issues, for greater equality and equity, is also necessary to make good progress in tackling poverty. Africa is not far behind Latin America on the inequality index, so the point is relevant there.

Second, the focus on inequality in middle-income Peru highlights the political nature of development processes. In international cooperation, we know this but we tend to treat development as technical for various reasons. Certainly it is less complicated not to have to concern yourself too much with a country's domestic political processes. "Is it democratic or not?" — by which is meant "Are there democratic elections?" — can often be the limit of a donor's questioning. Also, donors do not want to "put themselves into the picture", to expose themselves to processes of open democratic accountability in the country concerned, preferring to remain "outside the debate". There are issues of power relations here.

I hope that in the case of Peru, we have given some ideas on thinking about political processes, on exploring ways in which to engage with them and on how to do this in a legitimate way. We believe that the subject matter of citizenship, of rights and of democratic accountability is a good route into engaging with inequality and exclusion in virtually any country, regardless of its income level. We also believe that it is relevant to donors in most countries to look to work systemically with both the state and society in sponsoring balanced political, social and economic development. And that a practical way forward is to help the reformers in both the state and wider society, and in international cooperation itself, build alliances around broad issues of reform in favour of poor people.

Of course there are also bound to be challenges in many countries. In less institutionalised societies, it might be more difficult to work to find effective partners in wider society, as it can be difficult to establish good partnerships with bottom-up organisations of excluded rural communities in Peru. And in countries where DFID deploys significant financial resources and/or where the UK has a colonial past, it might be rather more difficult to put ourselves into the picture of power relations.

But maybe cooperation will have to grasp the nettle of supporting political development, more firmly, and be clearer about where it stands on values.

Sagasti: And finally, any regrets, now that the Office has to close?

Lewis: Of course, it would have been great had DFID found the resources to maintain a country programme longer in Peru. I just hope that we have done enough, by way of planting new approaches and putting in place some follow-up DFID central and regional financing, for our efforts to be sustained, and ultimately for the least advantaged Peruvians to be part of a more inclusive and fairer Peru. The team here and all our partners have worked incredibly hard for this.