

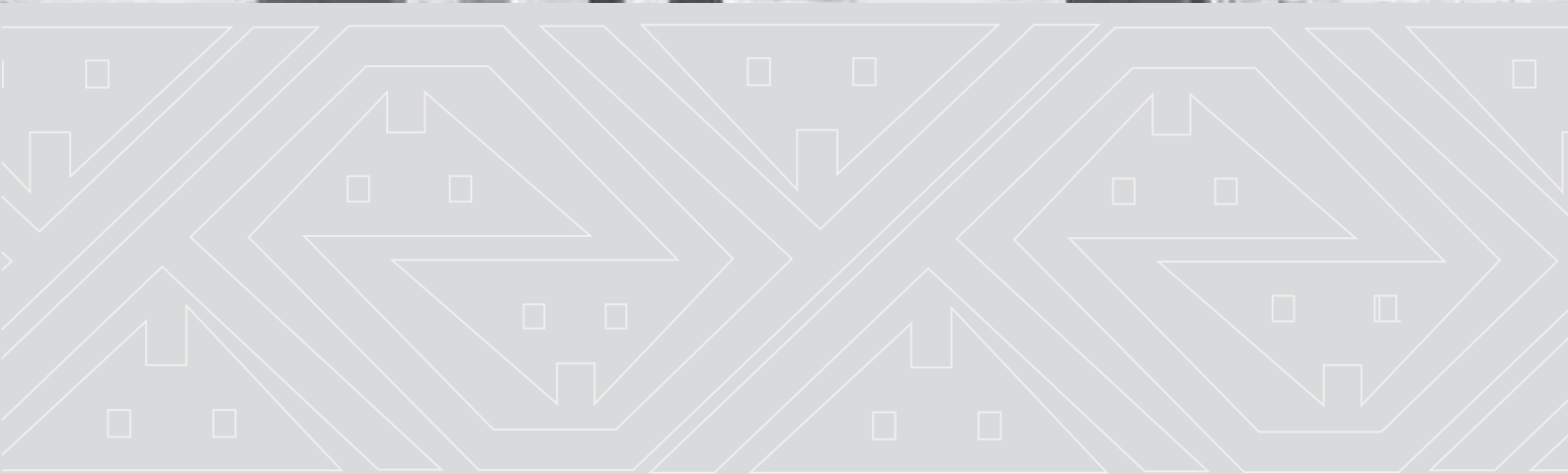
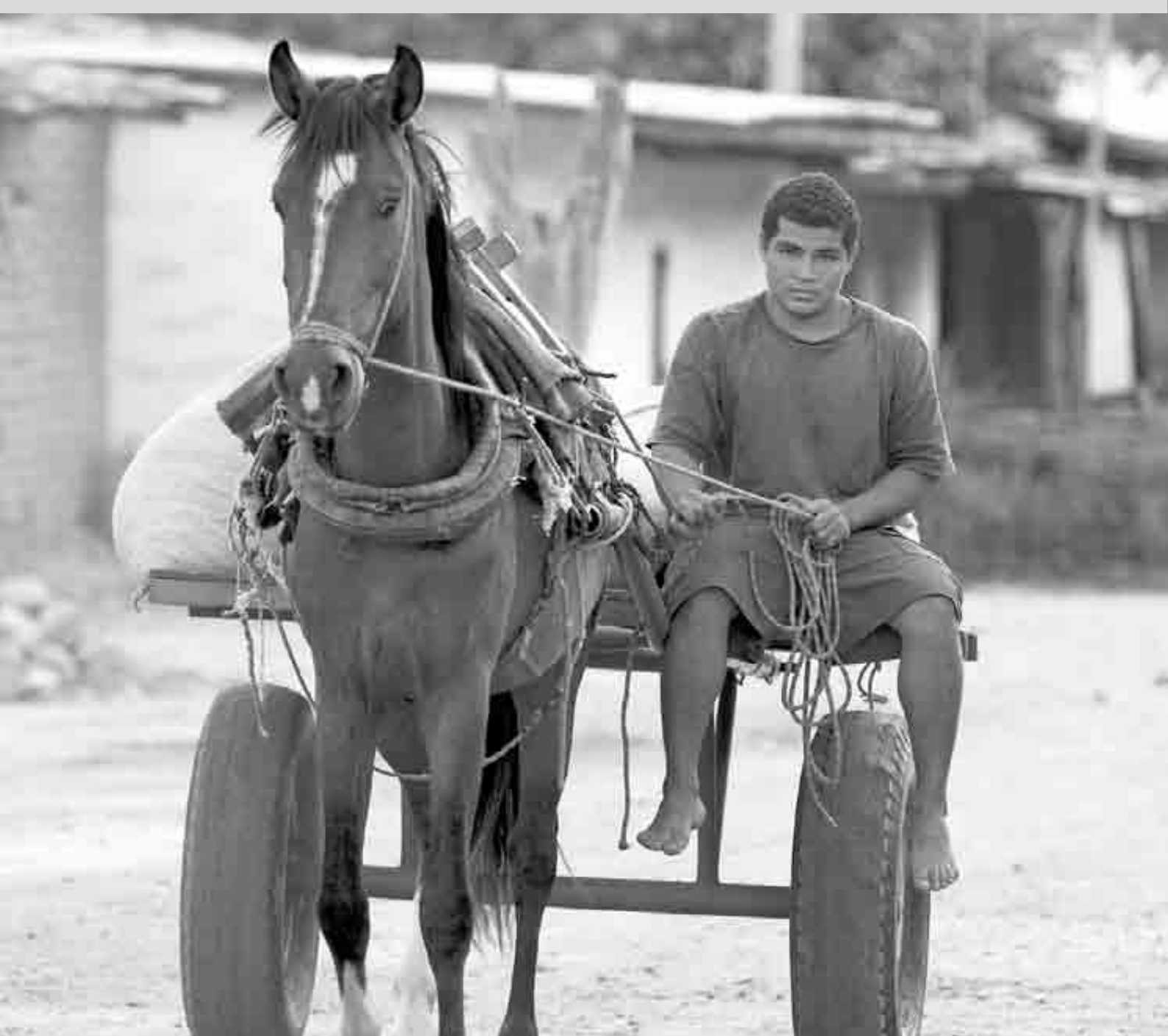
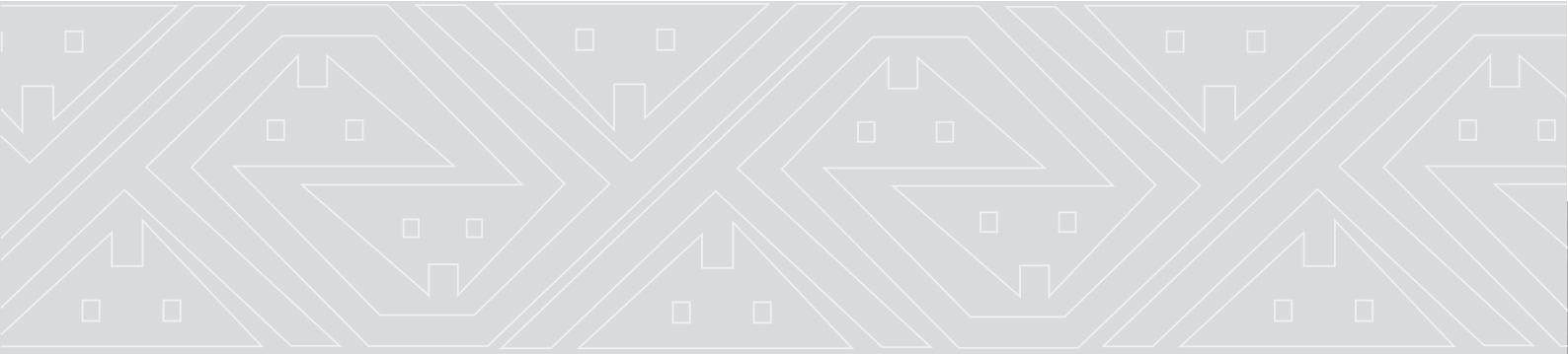


The GTZ in Peru

Partner for Sustainable Development for more than 30 years

gtz





Dr. Jorge Del Castillo

Prime Minister of Peru



Peru and Germany have developed exceptional bilateral relations since 1975. Contributions to the development of Peru have been translated into support to State and civil society institutions, which have benefited from the German Development Cooperation – GTZ.

Therefore, I am very pleased to write a prologue for this publication, which is a summary of the work done by GTZ in Peru for more than thirty years.

All along, bilateral cooperation between Peru and Germany has carried out many successful development projects in various areas, going from economic and employment promotion, through governance and democracy to environmental and natural resource, agriculture, fishing and nutrition protection.

German contribution has not only aimed at increasing the people's and organizations' capacities, but at improving general institutional conditions to forge processes that will strengthen democracy and generate impacts in the Peruvian society.

The challenge currently consists of achieving a greater impact of development operational activities with the harmonization of international cooperation. Such is the case of GTZ which, in turn, increasingly works in agreement with the Paris Declaration.

On the other hand, the Peruvian Government has a strategic framework for international cooperation that responds to foreign aid alignment, according to the needs that the country has defined and prioritized. In this context, the specialized knowledge GTZ has accumulated to advise change processes has become a very significant contribution.

I hope the German Technical Cooperation will go on contributing to the development of Peru at the same intensity as the German State. In this way, Peruvian partner institutions will continue to fully trust joint work, so that together we may be able to create the necessary conditions to bridge our way to the future.

A handwritten signature in black ink, reading "Jorge Del Castillo Gálvez". The signature is fluid and cursive, with a prominent "J" and "D".

Dr. Jorge Del Castillo Gálvez

Dr. Wilfried Liehr

Country Director of GTZ Peru



After going through a difficult phase in the 1980s and 90s, Peru has strengthened its democratic structures and achieved impressive economic growth. In many sectors the country is clearly on its way to a better and more stable future.

For more than 30 years now and as is evident today, GTZ has in many projects and programs provided significant support to this Andean country's economic, social and political development.

This publication has space to describe only a few of the projects and programs funded by the German Government since 1975 and carried out by GTZ in cooperation with its Peruvian partner organizations. These pages show that GTZ's work has achieved much in Peru and has helped drive several complex and sustainable reform processes. Currently, although it is not unusual to find GTZ staff members fostering diverse development processes at various administrative levels in Peru, it is the Peruvian partners who are undoubtedly of primary importance. Today these partners include the Presidency of the Council of Ministers, important sectoral ministries and their subdivisions, several regional governments and numerous civil society organizations.

Here I would like to highlight an example of a concluded project, the municipal savings banks. That they are modeled on German banks can be recognized at first glance by the red

dot in their logo. The project started with the Municipal Savings Bank of Piura, a provincial town in the north of Peru. Today municipal banks have multiplied, with 230 branches all over the country. They have made it possible for many micro and small entrepreneurs in rural and urban regions to start or expand their businesses, creating a seemingly endless array of new jobs.

Today as in the past, GTZ's work is focused on poor Peruvians' needs and the development challenges confronting Peru generally. Clearly, expanding personal and institutional capacities – most of all in the public sector, but also in civil society – constitutes GTZ's main field of endeavor. The core of that work is and will always be the reduce poverty, a results-based orientation and an emphasis on sustainable development.

The final pages provide a brief overview of GTZ's current range of activities. This summary shows that current advisory activities – in governmental decentralization and modernization, rural development and natural resource protection, improving water and sanitation supply – will stand up to the most critical examination.

GTZ has won the trust of its Peruvian partner organizations, thanks to its efficiency and success. We are proud of that and wish to base our future work on this foundation.

A handwritten signature in black ink, consisting of a large, stylized 'A' followed by a smaller 'L' and a horizontal line.

Dr. Wilfried Liehr

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Development Challenges in a Country of Contrasts

Peru is the country of the Machu Picchu citadel and the Incas and their descendants – who today wear brightly-colored woolen caps with ear flaps. These tourist clichés color many people’s ideas about this Andean country.

In reality, however, Peru is much more than its image as exploited for tourism. Peru is an enormously diverse country with many contrasts and extremes. In point of fact, the Incas are the last link in a long chain of high pre-Colombian cultures that have left an important heritage.

The country is divided into three large regions with very different climates, demographic constellations and topographic conditions: the coastal region, the high Andean zone and the lowlands of the Amazon basin. These contrasts define the country not only in terms of climate but also in terms of culture. Religious cult sites and stone settlements existed in Peru several thousand years before Christ. Indigenous inhabitants make up to more than half of Peru’s population today, and their historical and cultural roots are broad and deep. For many Peruvians, Spanish is a second language. The rich intercultural character of the Peruvian nation is cited with pride, yet racism is deeply rooted, and marginalization of ethnic groups is pervasive in politics and daily life.

In a country four times the size of Germany, urban centers are mostly located along the narrow Pacific desert coast, where more than half of Peruvians live. One such center is Peru’s largest city and capital, Lima, which is home to eight million inhabitants and all state institutions. The country is very centralistically governed in terms of both politics and administration.

Around one third of Peruvians live in the Andean highlands. The Amazon plain, extending beyond the eastern slopes of the Andes, comprises the bulk of Peruvian territory, yet it has a very low population density.

The coastal cities offer better employment opportunities and greater access to public services like schooling, basic health care and clean drinking water. For these reasons, an increasing number of people have migrated from the interior to these urban agglomerations. This influx of people poses a special challenge to the local governments and ministries who are daily responsible for meeting their needs.

Despite the many efforts to build up rural economies and improve rural infrastructure, the gap between living standards in the countryside and the city has not been sufficiently reduced in the last decade. In Peru, around half of the population lives below the poverty line, 20% in extreme poverty. The high Andean region is the hardest hit, with almost 70% of the population living in poverty, followed by the Amazon area and the rural coastal zones.

Unequal distribution of economic opportunity and wealth provided fertile ground for the Maoist “Shining Path” guerrilla movement, which from 1980 and 2000 attempted to topple the Peruvian state through armed struggle. This violent confrontation has been reported at some length in the press. At the same time, former president Alberto Fujimori, who instituted an authoritarian regime in the country in the 1990s, is being tried for human rights violations and corruption – a first step toward reconciliation after years of violence.

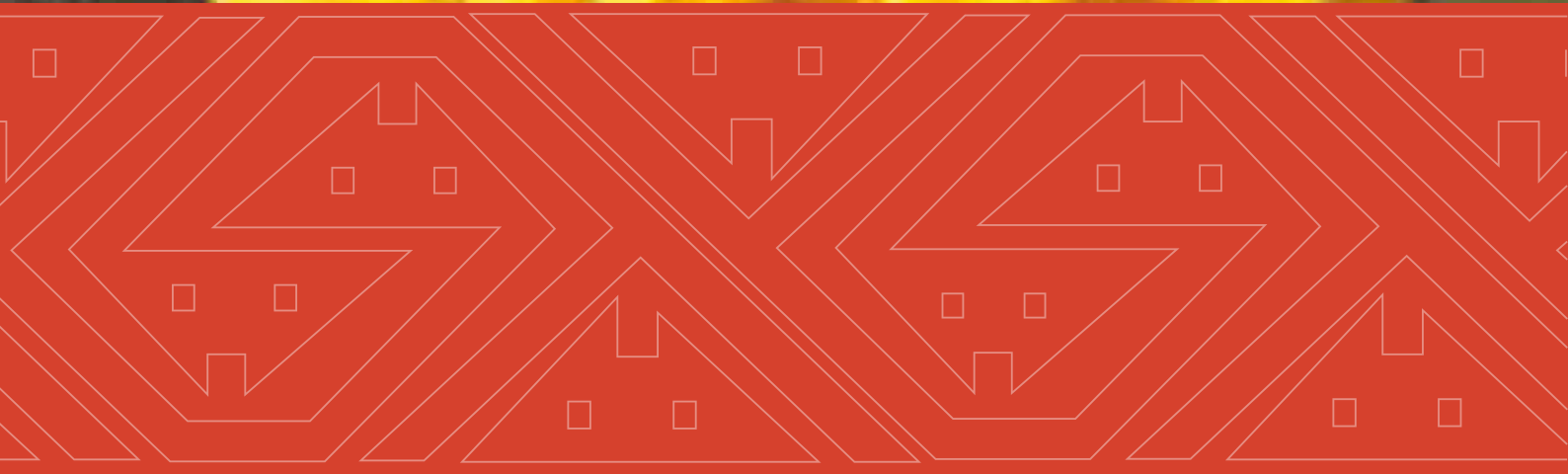
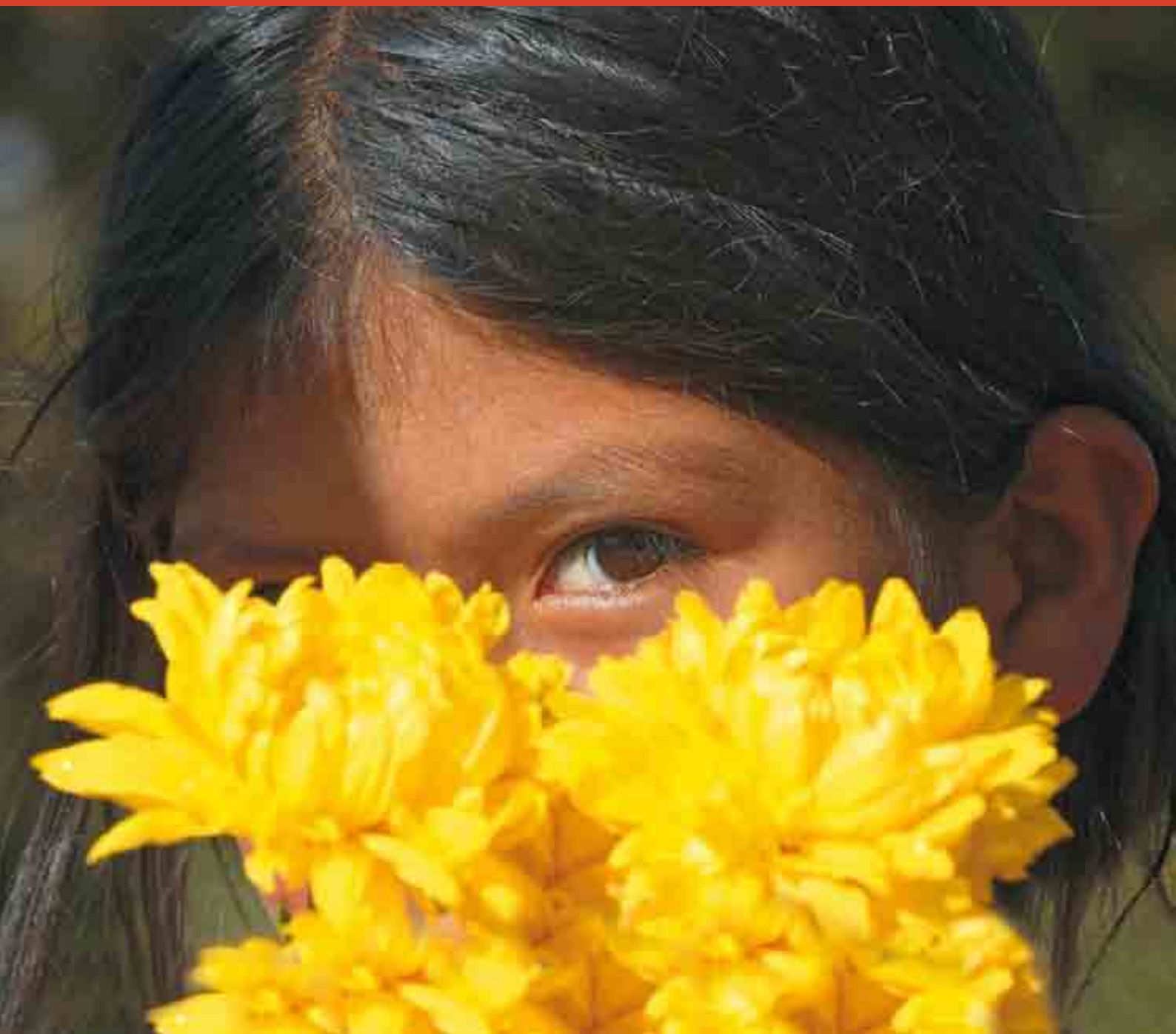
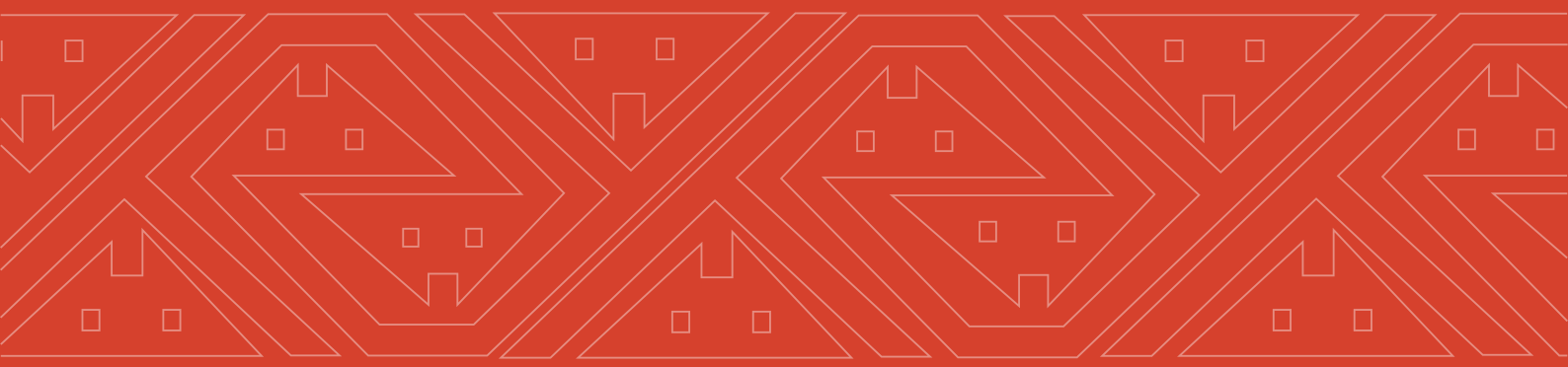
The two decades of terror, from 1980 to 2000, considerably hindered development progress.

When democracy was re-established several years ago, a number of political reforms were begun. Nevertheless, weak state institutions, a lack of state resources and continuing centralism constitute obstacles that must be overcome if a sound state is to be established.

Due to strong Asian demand for commodities and good macro-economic management, Peru is currently enjoying great economic prosperity, with annual growth rates at four to eight percent. Although many critics decry an insufficient “trickle-down effect”, poverty has slowly but steadily diminished in recent years, giving hope to those whose direct or indirect objective is poverty reduction.

Many companies have opened up new jobs, introduced social and environmental standards and are making an effort to anchor social responsibility within their own organizations. In fact, corporate social responsibility has become a key concept. However, in the informal sector, rural zones and the extractive industries, labor and human rights have yet to be prioritized as they deserve. The great challenge for the present and the future is to take advantage of the strong economic growth for sustainable development. The idea is to use sustainable development to eliminate poverty in the long run. There is where GTZ sees a need for its advisory services.





GTZ in Focus

The Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH – German Technical Cooperation – has undergone continual change since its founding in 1975. As an international cooperation enterprise for sustainable development with worldwide operations, the organization constantly accepts new challenges in partner countries.

GTZ is owned by the German Government, which it supports in attaining its development policy objectives. Its main client is the German Federal Ministry for Economic Cooperation and Development (BMZ), though it also works on behalf of other German governmental institutions, international clients and the governments of other countries. GTZ promotes complex reforms and change processes, often working under difficult conditions. Its corporate objective is to improve people's living conditions on a sustainable basis.

In Peru, during more than 30 years of project implementation, GTZ has reacted flexibly to social and political change to achieve the best possible results for its Peruvian partners. GTZ's organizational structures and work methods have changed since it started its activities in 1975. Originally, development cooperation focused mostly on the micro level and prioritized direct contact with the population.

In time, however, it became clear that development cooperation could only achieve sustainable impacts by functioning at various levels. Since framework conditions, which are set at the political level, influence local actors, the organization has been focusing for some years now on the drafting and structuring of policies. GTZ experts currently advise a diversity of political, economic and social actors at various levels – for example, the Council of Ministers on the one hand, smallholders on the other.

Over the decades, support modalities have also varied. GTZ has increasingly focused on advisory services, conveying know-how, and education: that is, capacity building. Strengthening partner capacities is decisive for successful and sustainable development.

In order to reach its objective – sustainable development in Peru – as efficiently as possible, every GTZ program works in close collaboration with other German development cooperation organizations, and, of course, in harmony with the efforts of other international organizations and donors.

Quite an Effect

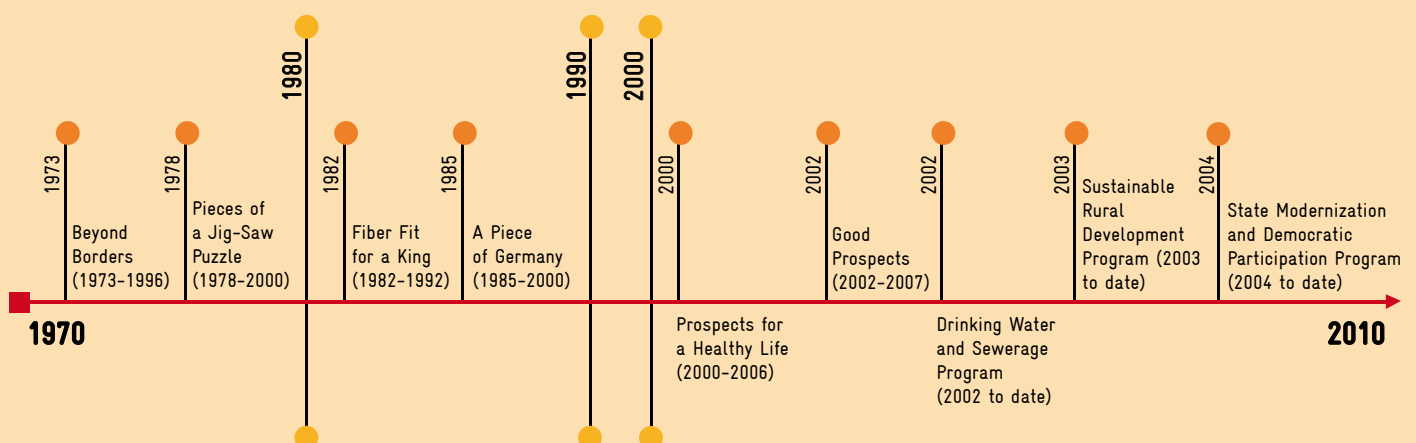
Sustainable development, in its social, cultural, environmental and economic aspects, is the fundamental pillar of GTZ's work. The projects described in the following pages are examples of GTZ efforts in Peru over the past decade. They show what sustainable development, capacity building and result-oriented actions mean at GTZ.

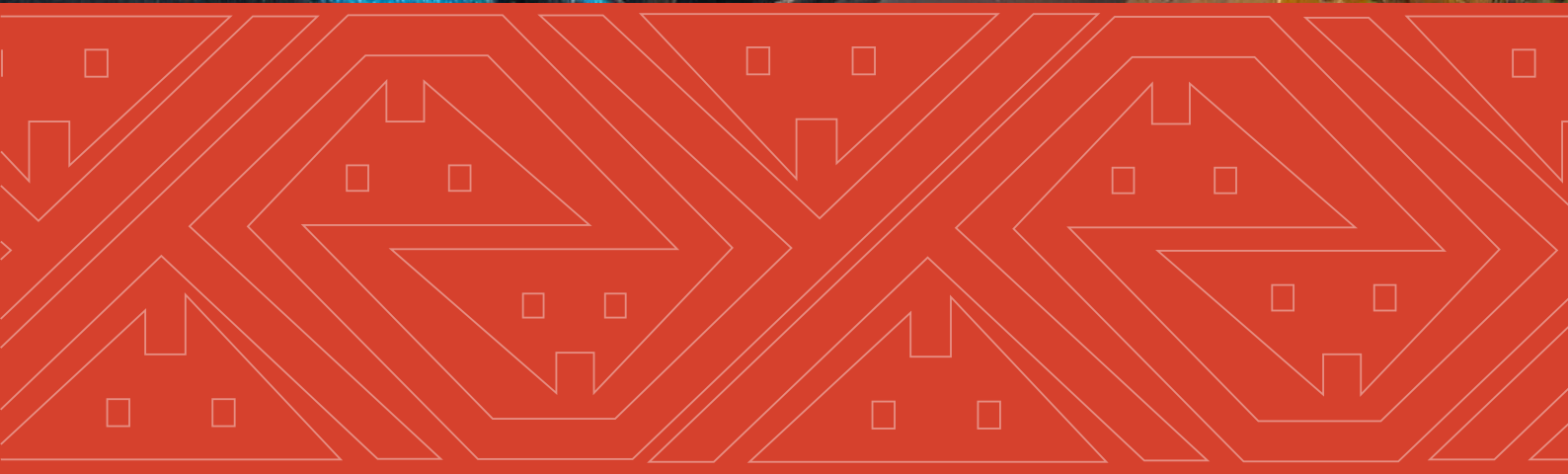
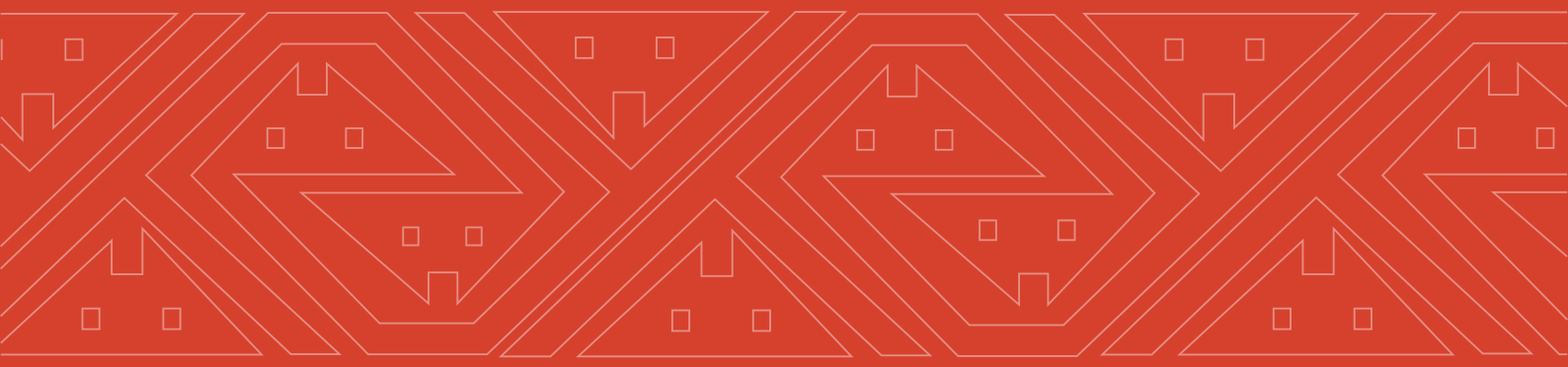
In many places, the positive effects of projects completed quite some time ago are still in evidence. GTZ partner organizations now effectively perform tasks on their own and have initiated new activities. Former German Ambassador Roland Kliesow, who has travelled throughout the country, used to say that wherever he went a Peruvian would comment on his or her positive experience with GTZ's work.

Informed Peruvians repeatedly point out, for example, that without GTZ projects vicuñas

would surely have disappeared in the south of Peru. The importance of protecting the species was recognized just in time. Now some 200,000 animals graze there, compared to fewer than 1,200 in 1967. To this day Peruvians work with the methods and information they learned in the 1960s, which have since been improved and developed. In this project, the protection of nature and wild animals goes hand in hand with livelihood conservation and job creation in high Andean low-income areas with few alternatives for monetary gain. Other residents of the area find employment as park guards or trade in vicuña wool.

The following pages describe this and other examples of GTZ's work in Peru over the past 30 years.





Beyond Borders



Beyond Borders

Qualified workers for industry

In many parts of the world, professional training is only within the reach of persons with a university bachelor's degree. Obviously such training only comes with some financial resources, so that poor people have no access to it. For them, schooling ends after a few years, and a university career is unthinkable. Entering one of the usual trades as an electrician, carpenter or locksmith, as in Germany, was not possible in Peru, because formal instruction was unavailable. If a young person wished to work in one of these occupations, s/he sought employment in a business or workshop and took part in daily work, learning the trade with time. In the past, there were no technical-professional studies with certification, uniform quality standards or comparable qualification. Thus individual capacities varied widely. A company that needed a locksmith was lucky to find a qualified worker. From the point of view of industrial and economic development in the country, the situation was a disaster.

In these circumstances, the National Industrial Society decided in 1962 to improve worker training for industrial production branches. To do so, it followed the example of some neighboring countries and founded its own training institution, which today is called SENATI (Servicio Nacional de Adiestramiento en Trabajo Industrial – National Industrial Work Training Service). The idea was to increase the competitiveness of local industry and thus contribute to reducing poverty. The German Embassy in Peru and the GTZ provided support for the institution.

Theory and practice

The program started with 15 scholarships for SENATI staff which allowed them to specialize in various areas. Some of them were still working at the institution just a few years ago until they reached retirement age. Then, however, GTZ equipped SENATI with teaching materials and machinery, the basic foundation for training courses. It only remained to find qualified instructors. Numerous scholarships were offered to persons committed to the teaching profession, so that they could acquire the technical knowledge and learn the modern teaching methods they needed to prepare students for future jobs. Over the years, those responsible for SENATI went on perfecting the training program, aided by GTZ. By the mid-1980s, however, it was clear that training was not sufficiently practice-oriented. Theory alone was not enough to qualify workers for a job in an industrial plant. At that point, SENATI decided to use a dual training system similar to the one applied in Germany. After a ten-year transition phase, the dual system is today the only professional training system offered by SENATI. As before, students learn theory at the institution, but at the same time they work in a company where they apply their theoretical learning in practice. So at the end of their training period they are equally qualified in both theory and practice. Now some 8,600 companies all over the country are participating in the dual training system and have become SENATI partner institutions.



Better each time

For SENATI the National Council, mainly made up of representatives of business and industry, is very important. The institution has 44 operational units today and has branches all over the country. The units are grouped into 14 zonal directorates. Regional institutions offer technical courses to students. There are also zonal councils at regional level for each directorate, composed of business people and chamber and association representatives. SENATI works closely with the National Council and the Zonal Councils. Thus, it has been able to directly integrate company requirements and needs into study plans for specialization. In line with business needs, SENATI has expanded its technical and regional courses. It has been able over the years to offer students better training for technical professions and adapt this training to business conditions. Thanks to SENATI and GTZ, Peruvian industry today has skilled workers who can also make decisions and act responsibly.

A study has shown that 78 percent of the more than 35,000 students who are certified every year find work as technical specialists or similar positions in the fields they studied in. The success rate of the technical training courses offered by other institutions – which are only

aimed at theory and teaching at the institutions themselves – is only 30%.

Having successfully trained numerous students in technical professions, SENATI has decided to forge ahead. Once students graduate, they can choose to go for higher certification. With a higher diploma, they have the chance of becoming SENATI instructors. If there is sufficient interest, these professionals can participate in specialization programs that provide them with pedagogical and technical qualification.

Thanks to continuous improvement and adaptation in its training, as well as to its sound internal structure and management, SENATI is well known as a technical training institution today, even beyond Peru's borders. It advises educational institutions in other countries in Latin America and shares its experience with them. Its success is also recognized by independent entities, such as ISO 9000 certification, OHSAS environmental management standards and the labor and health management system. A study carried out by the United States Agency for International Development (USAID) has acknowledged SENATIS' merits and has rated its vocational training program as one of the twenty most successful such programs worldwide.



Pieces in a
Jig-Saw Puzzle



Pieces in a Jig-Saw Puzzle

Better irrigation increases harvest yield

Until the end of the 1960s, farmland in Peru was in the hands of a few families. The president at that time, General Juan Velasco Alvarado, implemented an agrarian reform in 1969, expropriating the farmland of large landowners and transforming their possessions into cooperatives and other collective properties. The reorganization was intended to increase smallholder income and improve their living conditions.

However, the reality was very different for extremely poor small farmers in the Andean region, who lacked the money and knowledge to make the investments they needed. Irrigation systems dated back to large landowner times. What had been working well before was no longer suited to current conditions. Today, the harvest must support many more people than before, and numerous small plots have replaced large interconnected production areas.

Farmers also depend on an irrigation system that is in good repair and can ensure a harvest even in drought years. Obsolete irrigation systems, lack of management structures in

irrigation committees, scarcity of funds for seed, and ignorance of modern farming methods condemned smallholders to poverty. Farmers needed both funds and technical know-how to solve their problems.

In response, the KfW Entwicklungsbank (KfW development bank) and the GTZ have supported cooperatives since 1979.

The money for the most important infrastructural improvements in irrigation systems was provided by the KfW. GTZ experts developed multiple activities for sustainable and appropriate use of the new facilities. The intermediary for the German side was the MERISS Plan (Highlands and Jungle Irrigation Improvement Plan), which formed part of the National Small and Mid-Sized Irrigation System Program.

Large-scale investments

Irrigation infrastructure had to be modernized if small farmers were to improve their harvests. Here KfW and GTZ worked hand in hand: an analysis of the existing irrigation systems in the Andean regions of Cuzco and Apurímac,





in the south of Peru, quickly identified the infrastructure investments needed. With KfW and Peruvian public funding, it was possible to repair, expand and modernize the systems that already existed in many regions, adapting them to current smallholder needs. However, this did not solve all problems. If the new infrastructure was to be kept in good repair, its appropriate and equitable use ensured for all, and smallholder productivity increased, the farmers had to acquire technical knowledge in a variety of areas.

For the benefit of small farmers

As smallholder requirements changed over the years, so did the approach of GTZ experts. In the 1980s, the idea was to increase farmland productivity by instructing farmers in how to use their lands appropriately.

Numerous courses were offered on subjects such as crop rotation, the use of fertilizers, use of phytosanitary programs, seed selection and irrigation quantity and frequency. Yet it soon became clear that the farmers needed not only expert extension services but also credits for start-up investment. GTZ responded by instituting a revolving fund to offer the loans farmers needed to finance investment. After the harvest, the farmer repaid the loan to the fund with 10% interest.

GTZ also supported self-help projects. The idea was quite simple: farmers groups got together to tackle many kinds of problems together.

The objective was gradually to increase small farmer productivity and improve irrigation system management on an ongoing basis.

The MERISS Plan, aided by GTZ, now holds an annual contest as an incentive for ongoing improvement. All water-user organizations are eligible to participate, as can individual members. The winners receive attractive prizes and can enroll for free in various training courses. The jury decides its awards mostly on the basis of each participant's creativity.

Clever solutions for individual plot irrigation and use of land, as well as especially effective management mechanisms or outstanding seed selection, are given special recognition. The system provides two-fold benefit for every participant without any particular additional effort. Farmers and participating organizations thus have an incentive for their daily work and a reason to strive for constant improvement. Observers learn interesting possibilities for use in their own work. The process fascinates every participant and raises the quality of farming production and irrigation.

Ambitious task

Nevertheless, it became increasingly evident over the years that field irrigation was still not as effective and sustainable as it should be. Thus in the early 1990s GTZ staff began to focus on irrigation management. From the 1980s on, expansion of irrigation infrastructure has resulted in stronger water-user organizations. An elected board directs the organization.

Board members have complex tasks: they must keep a list of every small farmer participating in the irrigation system; they are responsible for sound operation of irrigation facilities, are in charge of their maintenance and are responsible for the equitable distribution of water to all users; they must keep accounts, etc. The administrative functions that the board must be able to assume are actually quite demanding.

Consequently, training and education measures were developed to prepare board members and equip them with the knowledge they needed for their multiple tasks. Today, these organizations are able to manage and maintain the irrigation systems that have been transferred to them on their own, without external help. The board checks users' monthly payments and keeps accurate accounts. Delinquent members are notified immediately. With the aid of these revenues, many organizations are now able to cover their costs.

Well equipped

Once the fundamental conditions were in place, advisory services were also needed for the

MERISS Plan institution. The objective was to have the procedure rooted among institution members so that users could expand and improve irrigation systems.

The members were to identify existing problems together with water users, look for solutions and implement them to benefit users. Institution members have participated in workshops to share their experience and prepare a systematic bank of lessons learned that is available to all, so that each can benefit from what others have learned. Technical personnel also accompanied international experts in their on-site missions to irrigation systems, gaining first-hand knowledge of essential aspects. Workshops were held to provide guidelines for the analysis and diagnosis of the current status of irrigation systems.

In this way deficiencies were easily brought to light and rectified. These intensive training measures very soon taught the personnel how to devise and execute their own irrigation project.



For the future

However, satisfactory operation of irrigation systems, managed by competent organizations and used by well-trained small farmers, is not enough. In the long term, it is necessary to keep the agricultural and ecological balance intact to prevent drought, cope with extreme weather anomalies and protect water reserves.

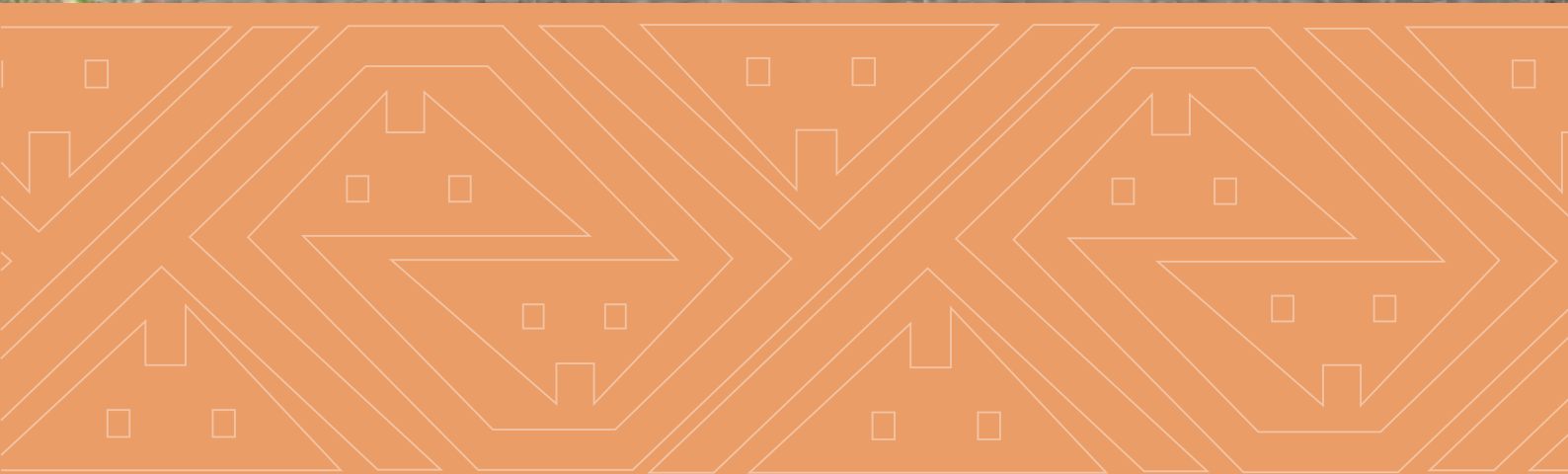
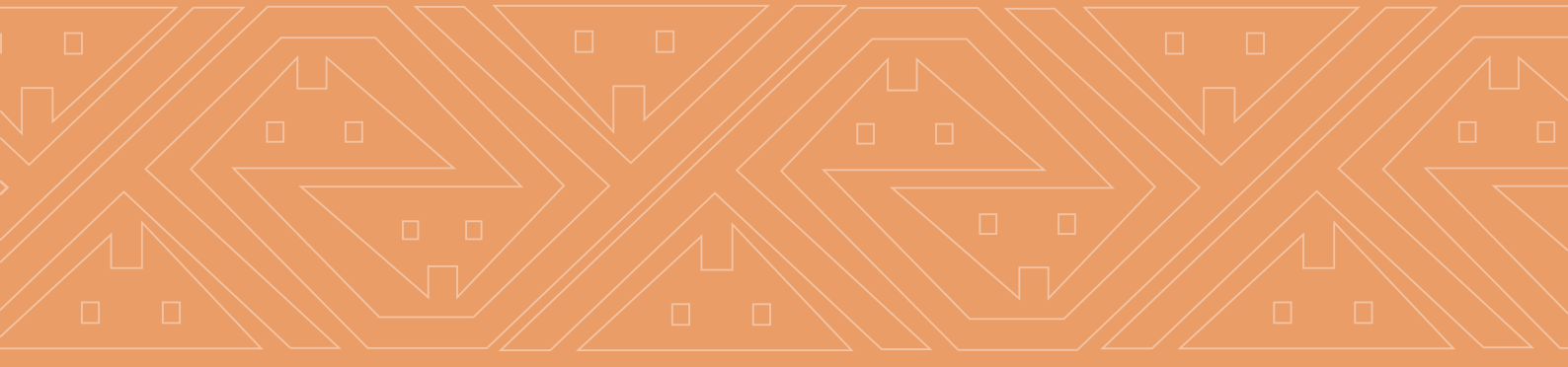
Consequently, in the 1990s GTZ started a reforestation program for areas around field irrigation systems, thanks to which six

hundred hectares of new mixed forests now surround irrigated areas. The forests not only protect existing water reserves but also prevent landslides in the event of heavy rainfall and counteract soil erosion.

Many project aspects are interconnected and complement one another like the pieces of a jig-saw puzzle. The results speak for themselves – small farmers now have irrigation systems in good repair; they can increase land yield and are aware of the importance of carefully managing water as a vital natural resource.



Without irrigation, the fields don't produce. Thanks to GTZ training courses, smallholders have learned how to keep irrigation systems in good condition and to ensure that distribution of water – that valuable resource – is fair.



**Fiber Fit for
a King**



Fiber Fit for a King

Economic exploitation of wild vicuñas

Inhabitants of the Peruvian Andes high plateau have lived in the vicinity of vicuña herds for centuries. Excellently adapted to life at 4,000 meters above sea level, these small wild Camelidae spread throughout the “Puna”, the high Andean plateau of pastureland and bush. Most of the herds are to be found in Peru, though they have spread to Bolivia and Chile as well. Unlike sheep and cattle, vicuñas need little water to survive. With their sharp incisors they can crop plants close to the soil without damaging their roots. Their padded hooves make them firm-footed on any surface, yet their tread leaves even the most fragile soils undamaged. Their fleece, extraordinarily abundant and fine, protects them from snow and frost throughout the hard winters. Yet despite their biological advantages, vicuñas have been threatened by extinction since the early 1960s. In this case, it is not environmental change that is to blame, but human activity.

As with elephant ivory or tiger skin, vicuña poachers were out for quick profits. Vicuña wool is the finest animal fiber in the world and thus very costly. Traders pay up to USD 650 per kilogram and ask no questions about the source.

The consequences for the shy inhabitants of the Andes were horrific: in 1967, there were only 1,200 vicuñas left.

Mere survival

In Peru, vicuñas enjoyed legal protection as early as the Inca Empire. Inca rulers knew the value of the noble wool fiber of wild Camelidae and saw to it that the animals reproduced. In the 20th century, this changed, as lack of protection led to slaughter without fear of punishment.

In 1972, GTZ responded to this situation by supporting the Peruvian Government in its efforts to protect vicuñas. Germans and Peruvians quickly agreed to begin with the Pampa Galeras National Reserve, 550 km south of Lima, where 80 percent of the world vicuña population now lives. The original idea was only to prevent the extinction of the species, so the project began by calculating the remaining population. Then the project team set up a tight network of control posts at strategic, important points such as mountain passes, roads, and roads and paths out of the National Reserve into the valley. Peruvian state park guards were given special training, as for any projected work area. Candidates were to have completed military service, to be of Andean origin and to speak either Spanish and Quechua or Spanish and





Aymara. Equipped with modern weapons and binoculars, they kept a lookout for poachers on patrols from their control posts. They enjoyed the support of shepherds living in the National Reserve, who welcomed their assistance against rustlers.

Various persons came to the aid of GTZ by identifying areas where the vicuñas had started to proliferate once more, and these were then declared protected areas as well.

Together with direct animal-protection measures, project staff conducted general information campaigns among the population, using flyers, posters, brochures and radio programs to explain the dangers of extinction and ask for support.

Environmental and economic benefits

The first years' efforts were well worthwhile. Within nine years, the 1,200 animals remaining in 1967 had multiplied to a population of 24,500. It was then that park guards thought of exploiting the vicuñas economically. They began by catching the animals every two years to shear them, mark them systematically, and then release them again. The gains from this economic use of the vicuñas benefited the communities that owned the areas where the herds grazed. The local population, which generally lived in abject poverty, was then able to use the money to finance important infrastructure work. The project also employed a number of people as park guards who participated in the economic exploitation of vicuñas by helping to catch and shear the animals.

However, GTZ advisors, not satisfied with mere economic exploitation of the species, took advantage of these activities for scientific purposes. They compiled a significant amount of data on wild Camelidae, including information on reproduction, wool yield, diseases (causes and possible treatment), mortality among young animals, eating habits, the nutritional value of pastures and calculation of the optimum size of domestic and wild animal herds as determined by ground conditions. These findings now provide a foundation for the economic exploitation of vicuñas.

By the beginning of the 1980s, thanks to the project the vicuña population had increased to 100,000 animals.

Hard times

Nevertheless, during the 1980s Peru was plagued by terrorism and violence. The notorious "Shining Path" drove the country into violent conflict. Soon, the control posts that had been established at such pains were abandoned, and park guards ceased to be paid. People became preoccupied with mere survival. When another vicuña census was taken in 1994, the results were discouraging: out of the 100,000 animals, only 65,000 remained. Poaching was on the increase once more.

At this point, the Peruvian State intervened. The National South American Camelidae Council (CONACS) quickly formed a well-equipped group to drive out the poachers, and activities based on the old GTZ project were resumed. It soon became clear that sustainable protection of the vicuña would only be possible if Andean mountain communities could be won

over to the idea of conservation. This in turn meant that the population would have to be convinced of the tangible economic advantages of conservation. When the state decreed that gains from the economic exploitation of vicuñas would be channeled to mountain farmers, the situation changed. Suddenly Andean residents realized the advantages of protecting the animals and trading with their wool. They came to see in the wild Camelidae an alternative to the sheep that had traditionally provided their income. Aided by CONACS, they acquired the necessary capacities to protect the vicuñas.

Vicuña project figures speak for themselves. In 2000, the vicuña population in the Andean high plateau region had reached 119,000 once more. In 2005, there were 174,000 animals, and the trend is upward.

Today, vicuñas enjoy special protection in five areas: the Pampa Galeras National Reserve in Ayacucho, which was the GTZ's project starting point in 1972; the Salinas and Aguada Blanca National Reserve on the border between Arequipa and Moquegua; the Huascaran National Park in Ancash; the Chacamarca Historic Sanctuary; and the Nor Yauyos Cochas Landscape Reserve. Only in the Pampa Galeras National Reserve are there seasonal variations in the vicuña population of some 6,000 animals, due to the lack of fences.

In 2007, Peruvian mountain people produced 5,429 kg of vicuña wool at USD 507 per kilo of uncarded wool and USD 650 per kilo of carded wool. The conservation of this animal species is of not only environmental significance, but also of social and economic significance: it contributes to reducing poverty in very poor areas of Peru.

It was a close thing: this photo of vicuñas in their natural habitat in Peru might have been impossible by now. National preserves for species protection have saved these small wild camelidae from extinction. With the park guards, population and Peruvian State as joint custodians, tens of thousands of these graceful animals can now run wild in the Puna once more.



A Piece of
Germany



A Piece of Germany

Savings banks in Peru

Successful management of a business enterprise always entails investment. Even small businesses, car repair shops or service companies need capital to function. Sales in such small businesses are usually very low, however. So for Peruvian commercial banks, the risk of granting loans to owners of such businesses was too high: the complications and risks involved were disproportionate to anticipated earnings.

An idea that caught on

In 1984 this situation gave rise to the idea of founding savings banks in Peru on the German model. The approach was intended to give micro-entrepreneurs a chance to get a loan at reasonable conditions.

Experts from the GTZ adapted the German savings bank strategy to Peruvian circumstances. Since savings banks had to be politically independent, the Banking Insurance and Pension Funds Superintendence of Peru offered to become the partner institution. A five-member council for each savings bank ensures proper and sound supervision and operations. The councils are always made up of two local politicians, a church representative, a micro-

entrepreneur and a bank official or expert from the financial sector, so that they are free of political influence. This constellation guarantees the controlling organ's operational capacity.

It was essential to establish a solid financial base for the savings banks, which needed to be in a position to deliver services to future micro-entrepreneur generations as well. For this reason they began operations by offering two products: savings banking and pawning. Since the latter service was entirely backed with collateral, it involved no risk. After two years, the moment had come. In collaboration with GTZ advisers, the Superintendence authorized the savings banks to grant micro-credits to small and medium-sized companies that cannot provide banks with guarantees for the simple reason that they have none. So GTZ developed a special credit technology: the guarantee to the savings bank is the credit beneficiary him/herself as an individual, with his/her livelihood, work and talent for the management of financial affairs taken into account. Savings banks officials closely scrutinize the beneficiaries' general situations by visiting applicants at their homes and companies. On the basis of these visits, an experienced credit official can very quickly determine whether the potential client is serious or not. In other words, it is the conduct of the

Doña Carmen and her colleagues are very experienced: no one pulls the wool over their eyes when it comes to crafts! Their business took off when a savings bank provided them with a loan – even though at that time they could offer no collateral for it. But their energy and the admirable organization of their small business soon convinced bank officials that their money would be in good hands – and time has shown that it is!





applicant that is decisive – not his or her net worth.

Well equipped

Naturally, a foundation had to be laid for such a complex system and for the founding of savings banks. Neither the managers nor the employees of the first savings banks knew their business well, nor was the general population familiar with the idea of savings banks, which was totally new. Thus it was necessary to establish a training centre to train the officials for their new tasks. With GTZ support, a training institute was created in Piura, the headquarters of the first savings bank in Peru. And to anchor the institution's principles sustainably among bank officials, five young people were sent each year to work for one year at a local savings bank in Mannheim, Germany. This gave them direct experience of everything that a savings bank involves, and first-hand knowledge of work procedures.

Peru's first savings bank was rapidly followed by others. The Peruvian Federation of Municipal Savings and Credit Banks was founded to create links among these institutions. It offered advisory services to all municipal saving banks while training their officials and acting as a test centre.

A history of success

Today there are banks or bank branches in every province in the country – 230 in all – that offer access to micro-credits to 2.2 million Peruvians. People have learned to trust these financial institutions. They deposit their small savings in them without fear that they will mysteriously disappear. This is a great success, because in this way the savings banks are able to go on funding loans that are entirely backed by savings deposits.

This is truly a pioneering achievement, because conditions before the first savings banks were founded more than 20 years ago were not in the least promising. It was a time of hyperinflation, a time when many financial institutions collapsed. But not the savings banks. Prudent business management carried them through the hard times. Their survival strategy is even today to authorize only 25 percent of total earnings for social-response operations. The remaining 75 percent is devoted to increasing their corporate capital. The figures speak for themselves. Although at the beginning they had only USD 82,000 in capital, today this figure has rocketed to USD 300 million. At the end of 2007, the total balance of all savings banks had reached USD 1.7 billion. And the banks needed only a few years to recover their costs: a true success story. The Inter-American Development Bank shares this opinion: it has granted the Peruvian savings bank system the award as the Best Financial Intermediation Institution in Latin America three times now.



Logo of the
German savings banks



Logo of the
Peruvian savings banks



Prospects for a
Healthy Life



Prospects for a Healthy Life

Comprehensive health care for youth

Europe has an aging population, but Peru's population is young, with around 25% of the total between 10 and 19 years of age. Many women have their first child at 15, and population growth is high. This phenomenon poses a challenge not only directly, to the young, but to the country's economic development as well. Early pregnancy endangers the health of the young mother and her baby. Contraceptives are not generally used due to customs, beliefs and a lack of information among adolescents. As in the rest of the world, the poor and other socially vulnerable groups are those most severely affected.

Early pregnancy and a rapidly growing population are not the only problems. HIV/AIDS is also increasing among youth. The Government of Peru estimates that between 75,000 and 100,000 Peruvians live with AIDS. As in other parts of the world, the nature of the immunodeficiency disease is changing in Peru. The persons infected are younger than ever, and the virus is spreading increasingly among the poorest of the poor and among women and girls. Peru's Ministry of Health now estimates that 50% of new infections arise among youth in lower income social groups.

Youth also face a number of other problems such as rape of girls and adolescents, and drug abuse. Severe depression, leading even to suicide, is not unusual among youth convinced of the hopelessness of their lives. A multi-faceted and comprehensive approach is called for to offer such young persons good prospects for a healthy life, with preventive measures to protect their health and guard them against HIV/AIDS.

The GTZ was implementing the project "Comprehensive Adolescent Help and HIV/AIDS Prevention". It supports the Ministry of Health in this task throughout Peru at regional health care centers.

On all levels

The project objective is to enable youth in selected regions throughout the country access to health care services especially designed to suit their needs. These health care centers are to inform adolescents of the dangers of HIV/AIDS while at the same time offering them possibilities for prevention. An approach conducted simultaneously at different levels was called for here.





First, the management capacities of those responsible for youth within the Ministry of Health and its regional offices needed to be improved. Accordingly, GTZ offered courses to train ministry and health centre personnel. Specific topics are youth development, sexual and reproductive health (including HIV/AIDS prevention), and management for organization of the juvenile health sector within the ministry and for youth health centre managers.

With the aid of these tools, GTZ and health experts joined to establish new framework conditions for health policy. They focused their efforts on achieving better access for youth to comprehensive health care facilities appropriate for their age and gender. The approach also aimed to improve the environment in which young people live and to respect their rights.

Community participation was fostered through multi-sectoral structures. Modern policy, topical and technical guidelines were developed to promote comprehensive health advisory services and care. Since then, these guidelines have been aiding health centre personnel in their daily work.

Something very special

But the GTZ team and Peruvian health experts wanted to go a step further. So together they created a very special kind of service: Youth Health Care Centers, which are attached to the general health care centers but are specially geared to youth requirements. Boys and girls can turn to the youth centers with questions about contraception or when they wish to talk about problems related to their health

or intimate sphere – subjects they cannot talk about with their families or friends. Here they find a place where they can discuss their lives with other youths with similar problems under the guidance of a professional social worker. And they can find help for traumatic experiences like rape or apparently hopeless life situations. In this community, young people join together to seek solutions to individual difficulties. They exchange experiences and motivate one another. Thus the centers provide a focus for positive individual and group social development within a difficult social environment.

Yet the centers offer even more. Aside from the daily youth work that takes place there, they also serve as a setting for multipliers. Centre experts travel to other communities and talk about their work and experiences there. They support the establishment of new centers in other parts of the country. They train staff members on site and provide the information they need. In short, they amount to a training and information platform that is of benefit to ever more communities. Change began with 12 centers; there are 30 today, and the number is growing. The Ministry of Health, too, has launched its own dissemination crusade.

Joint action

In order to get to the roots of young people's living conditions, GTZ experts work not only with health care centers but in close cooperation with the education sector, local government and the civil society. Policy-makers have added to their programs and begun to exchange experience. In project area schools,

HIV/AIDS prevention is taught, as is respectful behavior towards others, conflict resolution and greater tolerance among differing social and ethnic groups and genders. The civil society participates in information campaigns, parents lobby on behalf of their children, and people discuss the concerns of youth and youth problems in their communities.

Cooperation on different levels has been fruitful – from the highest political level to the local population and youth in the community. Although the project has ended, work on policy continues, as do the health care centers and work among the civil society. All of the players can agree on a single goal: to offer Peruvian youth a better future, with better prospects for good health and protection against HIV/AIDS.

Jose is happy about the new youth health care center in his city. He had long wished to learn more about subjects that mean a lot to him, such as sexuality and contraception, yet he felt uncomfortable asking his parents. Here at the center he was finally able to talk about his concerns, so that now he knows how to plan his future the way he wants it.



Good
Prospects



Good Prospects

Better basic education

Twenty years ago, the school enrolment rate of Peruvian children was less than 95%. In poor regions, children hardly went to school at all, and the high illiteracy rate of 7% to 13% meant poor future prospects for many children. Since then, the Peruvian state has made great efforts to improve the situation. The school enrolment rate of children at primary education age has now increased to 99%. Even so, the level and quality of primary school education remain inadequate. Teachers are not well trained and are poorly paid, schools are poorly equipped, there is too little teaching material, and teaching content and methods are obsolete and inefficient.

Special conditions

In 2003, the Peruvian State resolved to substantially improve the quality of education and the GTZ supports these efforts. In order to offer children better quality education, GTZ experts simultaneously acted on several levels, working with politicians, teachers, teacher trainers, school administrations and the civil population.

The disparate population groups with their various languages constitute a very special challenge in Peru. Racism, discrimination and mutual exclusion between various groups – indigenous populations, mixed-race persons, Peruvians of African descent and the white minority – are endemic. This being the case, project experts take this diversity and inequality among the different cultural groups into account in all of their activities. Their efforts aim at creating greater tolerance and acceptance among cultures. Students must learn to view cultural differences in their countries as an enriching factor, a resource for union – not a cause for division. Each ethnic group is part of Peru as a whole.

Political activity

On the political level, experts advise the government and the Ministry of Education in the capital on drafting modern educational policy. Advisory services begin with the subject matter for teacher training. They then support development of the national education plan and various regional education plans, and culminate with the creation of efficient organizational structures in the ministry and the various regions. Draft legislation on teacher training has already been submitted to congress. In





addition, the Ministry of Education applies a jointly developed evaluation system to assess performance in teacher training and specialized institutions. In this country, with its history of centralistic government, the current decentralization process combined with GTZ advisory services have made regional governments more aware of their new responsibilities. Regional education plans now exist in four regions – jointly developed and coordinated by the regional government, education experts, civil society representatives and GTZ advisors.

Good preparation

Aside from policy, teachers, teacher trainers, school principals and school managers obviously play a key role. If these persons are not well prepared to assume their responsibilities, even the best political intentions are ineffectual. Traditionally, society has accorded their work little recognition. Salaries are low, as is the level of training among teachers. Front-of-the-classroom teaching is the method of choice.

In order to ensure that the future generation of teachers is well prepared from the start, GTZ experts work closely with selected teacher training and specialized institutes. Together with these institutions, experts carry out analyses and formulate the respective institutional development plans. An essential component is the drafting of a unified study plan, with obligatory curricula for each year of study and clearly defined course content. Modern teaching methods are to be used for both teaching and evaluation. New and interesting teaching materials help children learn better and change the basic concept of teaching. A

fundamental result of working with teacher training institutions is the joint development of the instructor profile in line with inter-cultural considerations. This profile has been accepted by the Ministry of Education and is now being applied throughout the country.

Generating trust

Peru has been pursuing a process of transformation from a centralist state to a decentralized and democratic structure since 2002. An important instrument in this process is the creation of regional participation committees made up of parent representatives, community members, educational experts and delegates from the regional government. The committees seek to develop the respective regional education plan and supervise its implementation. They are also responsible for preparing regional educational project proposals.

Historically, the relationship between civil population and regional governments has been very strained, so that the first reaction to creation of the committees was suspicion. At first, nobody believed that productive and trusting cooperation between the civil population and the regional government could be possible. In response to this difficult situation, GTZ experts, convinced of the potential of the participation committees, helped create them and prepared their members for their duties. The main task was to draft regional education plans, for which committee members lacked both organizational experience and expertise. In the end, it proved necessary to organize training on organizational, juridical and technical subjects. In this way, participation committees learned first to analyze the educational situation

within the region and identify the deficiencies in each area. Based upon these findings and with GTZ assistance, the members drafted a development plan for their region. The plan includes concrete measures and ideas for achieving better educational quality through structural, comprehensive change. Some of the most important aspects in this effort are: equal education for all cultural groups, good quality school education, information that generates tolerance and acceptance among different social groups, equal opportunity and conditions for girls and boys, and generation of democratic awareness.

Today, more than five years after the educational sector reform, many positive changes are already evident. In many regions, teachers and education students are benefiting from better quality education and various offers for specialization. Parents, community members and administrative officials not only participate in regional educational policy decisions but take an active role in their conception. Civil society and the government work together and not against each other. The Peruvian Government has launched numerous reforms. In combination, these developments promise good prospects for the children of Peru.

The children in a primary school close to Tarapoto have reason to be proud! They have just received their new textbooks, which are so entertaining that classes have become truly interesting, and it is fun to go to school. This way, learning is much easier. Maria, Lucy, Juan and Ricardo are also pleased that their parents now work closely with their teachers and know what is going on at their school.





GTZ in Peru Today

Peru is one of GTZ's key partner countries in Latin America. Since 1975, more than 140 projects have been implemented here in a number of different sectors. By the end of 2005, the German Federal Ministry for Economic Cooperation and Development (BMZ) had authorized more than EUR 400 million for technical cooperation with Peru.

In 2001, the Peruvian and German governments signed an agreement to adhere to the principles of the Paris Declaration, grouping GTZ contributions into three priority areas:

- Sustainable rural development
- Drinking water supply and waste water disposal

- Democracy, civil society and public administration

GTZ is officially represented by its office in Lima, which maintains constant contact with the Peruvian Government, the embassy of the Federal Republic of Germany, and many other development cooperation institutions, so that it can coordinate consensus building and foster communication. GTZ also works in close cooperation with other German implementing organizations such as the KfW Entwicklungsbank (KfW development bank), the German Development Service (DED), InWEnt (Capacity Building International) and political foundations.

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**Sustainable
Rural
Development
Program**



Sustainable Rural Development Program

Baseline situation

Of the 27 million Peruvians, around 14 million live below the poverty threshold. Most of the national income derives from cities and the coastal area. The poverty index in rural areas is disproportionately high. The causes and consequences of poverty are to be found, among others, in the lack of income and employment opportunities, as well as in the increasing destruction of natural resources.

Historical background

The Sustainable Rural Development Program (PDRS, in Spanish) program started officially in July 2003. Twelve autonomous projects were merged with the intention of integrating both rural development and the sustainable use of natural resources into a comprehensive approach. That had been the goal that some of the projects had already pursued for more than 20 years.

The conceptual basis for this undertaking was the priority area strategy paper for rural development jointly drafted by the German and Peruvian parties, which includes the protection and sustainable use of natural resources. Due to this fact, a number of issues arose, ranging

from disaster risk management and alternative development to advising on agrarian policy and to systematically strengthening the national system of protected areas.

Other goals were to introduce training for environmental communication and education and to foster value chains, mainly through a stronger trade and export of agricultural produce. The information and experience gathered in these projects combined to form the foundation for the PDRS.

Objective

The objective of the program is to improve the livelihoods of the poor in selected rural regions of Peru through sustainable exploitation of natural resources. Program activities are mainly focused on removing bottlenecks in rural areas. The program aims at achieving close interaction and a sustainable balance between resource protection and use.

Strategies

The PDRS is based on the priority area strategy paper developed jointly with the Peruvian partner institutions. It has three components:



Through its *disaster risk management in rural areas* component, the program contributes to reducing the vulnerability of the population to natural disaster and strengthens the sustainability of public investment and rural economic cycles.

The component on *sustainable creation of added value* offers training to improve the efficiency and client services of producer and service associations, which in turn boosts national and international trade volume. This strategy is based upon the value chain approach, promoting certified organic products, biodiversity products, biological fuel trade and ecotourism.

The *natural resource protection* component increases public and private decision-making competence and builds the capacities of the population to make sustainable and comprehensive use of protected areas, buffer zones and watersheds. Priorities include creating municipal and regional protected areas, increasing investment for resource conservation and setting up innovative models of environmental service compensation.

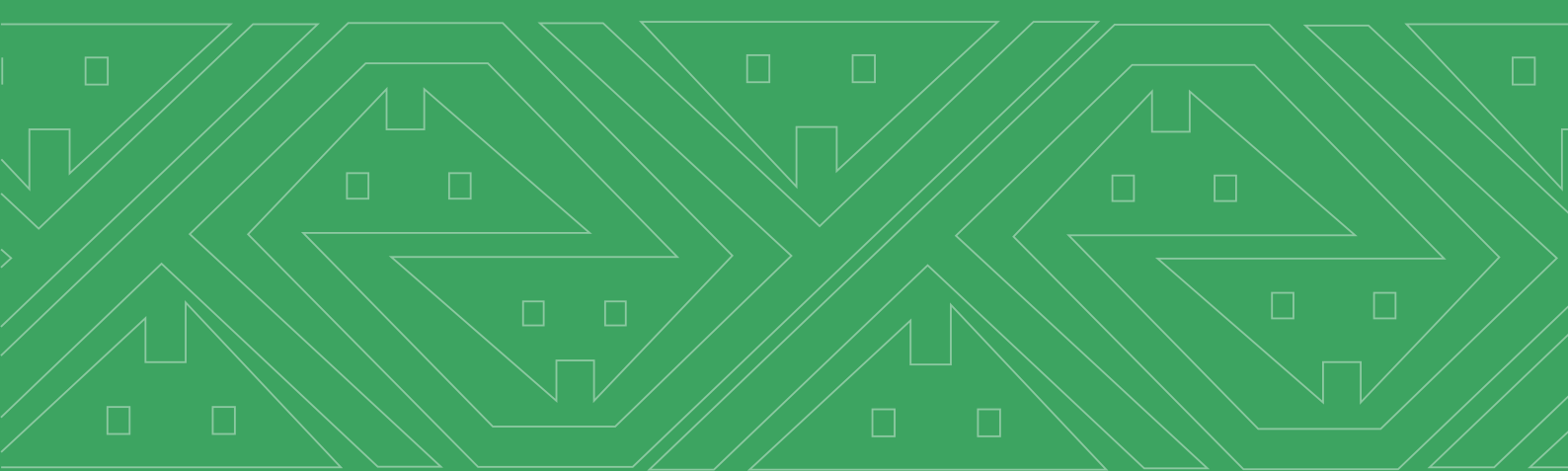
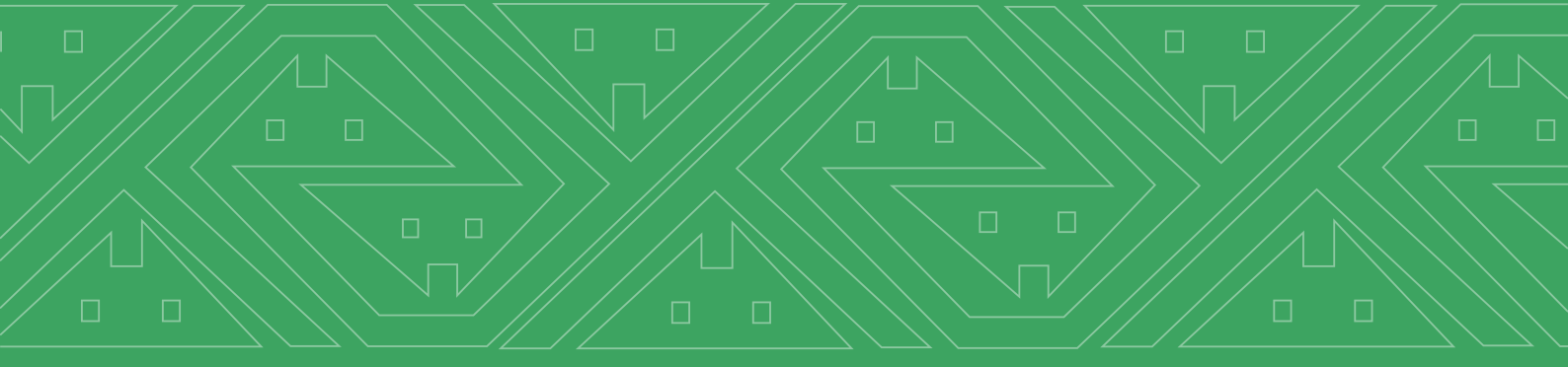
On the other hand, the program also works on three so-called strategic issues that cut across all three components: climate change – emphasizing the adaptation to it, environmental governance and the strategies and policies for rural development.

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From Reaction to
Action



From Reaction to Action

Sustainable Rural Development Program

Every few years, around Christmas, fishermen along the coast of Peru witness a phenomenon they know only too well: the sea becomes much warmer than usual, schools of fish disappear, and suddenly the rains start – torrential, persistent and destructive – as a result of the “El Niño Southern Oscillation”. In 1982/83 and 1997/98, the anomaly particularly affected the north coast of Peru, where life-threatening floods and landslides continued for weeks.

By the beginning of 1998, many people in the north of Peru had lost everything they had. Homes had been flooded, leaving many families without shelter. People had neither food, clothes nor health care. The GTZ responded with emergency aid measures. The idea was to meet people’s most urgent needs first. GTZ experts provided support to many partner organizations, both local and international, distributing food and drugs (particularly against malaria) and constructing temporary housing.

After providing for people’s most urgent needs, GTZ sought to give the people a new perspective on the future – to enable them to return to their working lives. It made seed

available that germinated well in wet soil. Farmers could harvest their first produce in only 40 days, so that they benefited from the rains and the increased supply of water and earned some income quite soon after the disaster.

Containing risk

Once daily life was re-established to some extent, GTZ staff supported its partner organizations in the setting of more ambitious goals, such as preparing the region’s inhabitants to better withstand the next El Niño and avoid a repeat of the tragedy. Natural disaster prevention and management were put on the agenda.

The team, composed of partner organizations and GTZ experts, launched training campaigns for local populations and communities, creating awareness of the causes of the disastrous effects of the weather anomaly. They took up topics like deforestation and soil erosion, and how these lead to landslides. Together with the local population and politicians, experts discussed planning initiatives, settling disputes, high-yield projects and comprehensive water course management.

The objective of this public information work was to include disaster risk management right





from the start in any development or investment planning in these communities and regions.

From that point on, an essential aspect of planning has been exhaustive analysis of the area. Supported by GTZ, affected communities in the mid- and high hydrographic watersheds have identified zones that are particularly susceptible to the El Niño weather anomaly. Inappropriate land-use and deforestation account for the lack of plant cover in these areas.

With El Niño's torrential rains, erosion and landslides are rampant. At the same time, the rains cause flooding in lower watersheds. Together with the local population, GTZ experts implemented various measures.

They established "living barriers" – rows of plants as a natural defense against the greater volume of water brought on by the rains. They also planted certain species of trees or grains that naturally retain sediment and increase water retention in high watersheds, acting as a brake to flooding in the lower zones and helping to control the situation.

Since 2000, communities have been including disaster risk management in their annual planning and measures. For instance, when a new school is to be built – or a health care centre or other public facility – the site is first carefully analyzed in terms of its safety in time of flood.

A new face

In 2001, the project acquired a new face as prevention instead of disaster relief. Activities then centered around advising communities on

how to invest public funds in light of disaster risk management.

From then on, GTZ experts extended their efforts and methods to other regions, so that other parts of Peru benefited from the experience of the north. Not everything can be exactly replicated in other regions: players, interests and settings differ from place to place and call for individual solutions.

The idea is to work at the policy level to institutionalize disaster risk management, new value chains and natural resource protection as complementary and mutually enriching strategies for the sustainable development of Peru. The success of these initiatives is revealed in a number of achievements:

- A national policy regulation now determines which disaster risk management and risk assessment measures are to be considered for public investments.
- Land management methods are applied increasingly widely.
- Development plans now usually include disaster risk management.
- Community awareness campaigns are now conducted on disaster risk management.
- Awareness campaigns have become part of daily life in various public and private institutions.

- Popular acceptance of prevention measures has increased as people experience their positive effects directly.
- An intensive exchange is taking place with other countries and organizations that have not yet included disaster risk management instruments in their strategies.
- Numerous protected zones have been established by law, in which farmers and the general population have learned to use natural resources sustainably.

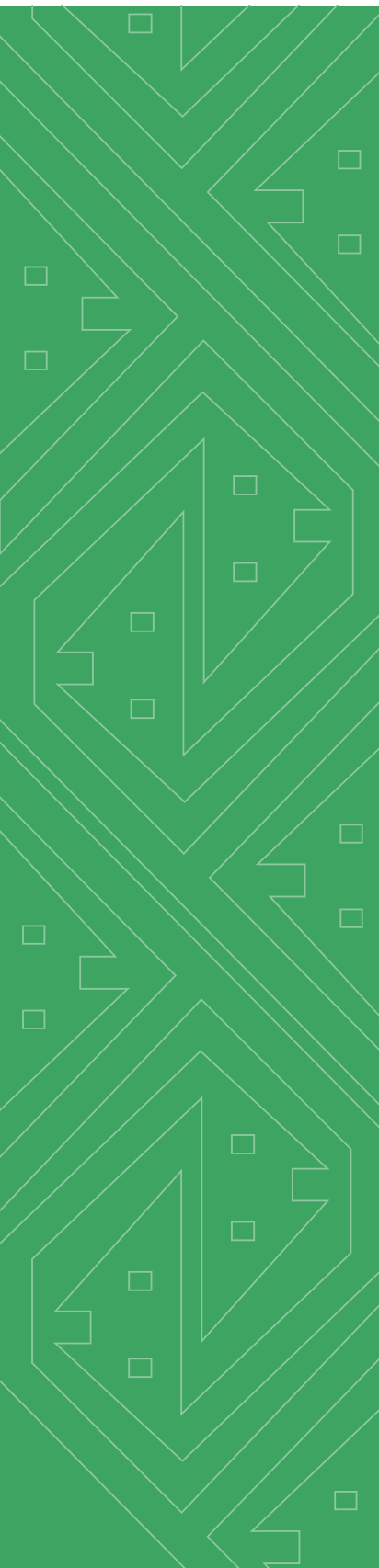
- New value chains – organic cocoa or mango for export – provide farmers with increased and more secure income.

Since 1998, Peru has experienced many positive changes. Disaster risk management instruments are now in place both at public decision-making and local levels. Today, the people can act to cope with danger – and not only react to it. Municipal governments, non-governmental organizations and local institutions are conducting more and more regional pilot measures, as more and more communities include disaster risk management in their daily operations.

A good harvest is the reward of the Rivera family this year, when they opted for sustainable farming. New agricultural methods have enabled them to get better yields from fewer fields. Besides, aided by a GTZ program, they have developed a new marketing strategy for their harvest to help them earn more for their labor than before.



**Investing in the
Future**



Investing in the Future

People pay gladly to protect their drinking water resources

Some years ago the residents of Moyobamba – a small city on the eastern Andean slope – noticed that the quality of their drinking water was declining and quantities decreasing. By 2004, the population's concern about their drinking water was making itself felt in their municipal government and with the regional authorities responsible. These bodies responded by establishing "Natural Communal Protected Zones" around the sources of the city's drinking water. Their aim was not only to preserve watersheds, however, but also to protect the species inhabiting the protected zones. By converting the zones into recreational areas for the local population, they appealed to people's feeling for nature, so that the zones took on great potential for tourism.

Maintenance of a nature conservation zone calls first of all for respect for the concept of protection and acceptance of regulations. These in turn call for coordination and harmonization of various policies, not to mention funding. Since the political will to protect nature at the regional level is there, and the population demands good quality drinking water in

sufficient quantities, guaranteed funding and coordination among the different players are all that remain for achievement of the objective. At a public hearing, the population actually demanded that the national authority increase water rates. So water receipts now include an "ecology cent" with a clear-cut purpose: each of the extra "ecology cents" flows exclusively and directly into a fund to protect the city's watersheds. The 40,000 inhabitants of Moyobamba left no doubt about their feelings when an overwhelming majority approved collection of the "ecology cent".

It was environmental awareness that led to the introduction of the additional tariff. With the aid of certain citizen participation mechanisms, the population was enabled to decide on its own on the allocation of the financial resources available. A committee made up of representatives of 25 public and private sector institutions and the civil society determines which projects are to be implemented and thus how the ecology cents are to be used. Local protection and usage agreements between the municipality and residents ensure that everyone's needs are taken into consideration. GTZ advises the regional government, the municipality and the committee on introducing





and tightening regulations concerning implementation of this new instrument for funding nature protection in the region.

Protected resources, utilized resources

The financial objective is very clear: to supply good quality water in sufficient quantity, sustainably, for future generations. A number of steps are needed along the way, however. First, random immigration must be regulated and land grabbing by new settler families stopped. Until now, smallholders have used slash and burn methods to turn the forest into farmland. When yields decreased beyond a certain point, they simply levelled another stretch of forest. So one important step was to introduce alternative land-use practices.

GTZ and partner experts supported the smallholders in sustainable land use practices. Aided by the agro-forestry model, the population learned to work each zone according to its own unique soil characteristics, for example, for appropriate coffee growth, sustainable lumber exploitation, reforestation with native species, etc. This true alternative to traditional slash and burn ensures revenues for the population without damage to the watershed. Other sources of revenue are tourism and sales of fruit and vegetables. Nature protection and land use are no longer at odds in this region: they complement one another.

At multiple levels

The protection of these areas – even combined with sustainable exploitation by the inhabitants – is a sensitive issue. Local players soon realized

that they would have to work on various levels. It was important to convince various sectoral ministries on the national level to include an ecology cent in water rates throughout the country. Coffee farmers had to be linked to purchasers and exporters. Finally, awareness campaigns on environmental subjects had to be conducted at schools and to shape public opinion. GTZ supported all players in developing a comprehensive advisory strategy, which is already being implemented. Priority items in the GTZ and the partners' approach are:

- Fostering mechanisms for effective citizen participation at local and regional levels
- Organizing environmental education campaigns to clearly show the relationship between appropriate soil use and the water cycle in each location
- Establishing alternatives to slash and burn and natural resource degradation
- Strengthening local and regional institutions working in nature conservation areas and advocating nature conservation
- Advising regional and local politicians – as well as sectoral ministries at national level – within the framework of current decentralization processes regarding sustainable rural development and/or allocation of public funds for environmental protection and conservation of natural resources.

Meanwhile, international networks specializing in nature preservation areas, nature conservation funding and regional development have become interested in the Peruvian experience.

One of the most important national initiatives is the National, Regional and Local Conservation Network – RENACAL. Peruvian municipalities, their national umbrella association, regional governments, state sectoral ministries, civil society entities and international cooperation organizations have taken RENACAL as a platform for the exchange of experiences in Peru about local and

regional protected area management. The network promotes joint activities and creates national guidelines based upon on-site experience. Networks such as these provide a forum for municipalities, staff working in nature protection areas, and organizations to exchange ideas on the management and funding of nature protection areas.

With this foundation, the way is clear for sustainable conservation of nature and sustainable economic exploitation of protected areas.

Leyla, Margarita and Marisol are proud of their harvest. Their parents have sold all of their produce in the city at a good price. In the past, their father used to simply burn up another parcel of the forest when yields from his soil declined. But things are different today. With new farming methods and an intelligent marketing strategy, the family is doing fine now. The three girls are well aware that burning the forest damages drinking water sources. They are glad that their family no longer is forced to do this.



**Drinking Water
and Sewerage
Program**



Drinking Water and Sewerage Program

Baseline situation

In many cities in Peru, supplies of safe, hygienic drinking water are neither sufficient nor secure. Disposal and treatment of waste water are also deficient. Besides environmental pollution, the situation also has consequences for health, mainly that of children. Local sanitation services are often unable to ensure basic sanitation. Their management capacities are inadequate, their personnel are not sufficiently qualified and, due to lack of resources, the companies are unable to make necessary investments. From the political point of view, drinking water and sanitation supply have gained importance under the current government, and programs are being implemented all over the country to improve access to services. Sector strategies for sustainable development are being prepared. However, long-term efforts will be required to achieve the desired results.

Historical background

The Peruvian government has received support from GTZ in the area of drinking water and sanitation for several years. Since 1990 GTZ, together with the KfW Entwicklungsbank (KfW development bank), has promoted projects

in medium-sized and small cities, achieving improvements in sanitation that benefit around three million people.

The program has always adapted its interventions to the evolution of the sector in Peru. In the last five years it has substantially changed its advisory approach. Continuous advisory services are no longer offered to separate projects; instead, intermittent advising is provided to individual projects grouped in national programs led by the partner institutions.

The result in terms of effectiveness and the feeling of ownership by the partner institutions is evident. Besides this, GTZ has broadened its advisory priorities. Thanks to current decentralization efforts, it is no longer enough to focus training on the administrative, commercial, operational and sanitation aspects in the companies. The current advisory strategy aims more at strengthening the socio-political environment for increased corporate governance. At the same time, at macro level, political and juridical conditions are being adapted to meet the challenge of supplying modern and sustainable sanitation.



Objective and results

The objective of the Drinking Water and Sewerage Program (PROAGUA) is sustainable improvement of drinking water supply and wastewater disposal in selected cities.

Priority areas in the program are: 1. Improvement of the institutional, operational, political and social capacities of sanitation service companies; 2. Creation of national structures for the continuous development of efficiency among institutional players in the water sector at organizational and human resource level; 3. Reforming and perfecting water sector policy and regulatory framework conditions.

Strategies

The program is based upon a priority area strategy paper that was jointly prepared with a Peruvian partner organization for the drinking water supply and waste water disposal sector. It takes a comprehensive multilevel approach for promoting sustainable development in the Peruvian water sector. Program activities are carried out within the framework of three strategies:

As part of *institutional strengthening*, managerial capacities for administration, trade, and operations are being increased, improving

the economic and financial situation. This enables companies to offer water supply and sewerage services more efficiently, effectively and sustainably.

By adopting the *good governance strategy* for drinking water supply and waste water disposal, the program aims at increasing negotiation capacity and consensus between companies and political and social players. This is based, on the one hand, on reaching management agreements between municipal owners and sanitation service supply companies and, on the other hand, on implementing guidelines for good governance and accountability in municipal water and sanitation services. At middle level, sanitation service supply companies are advised concerning their public relations strategy. The general population and local decision-makers are encouraged to take an active part in formulating strategies for sustainable water supply and sewerage services and to support their implementation.

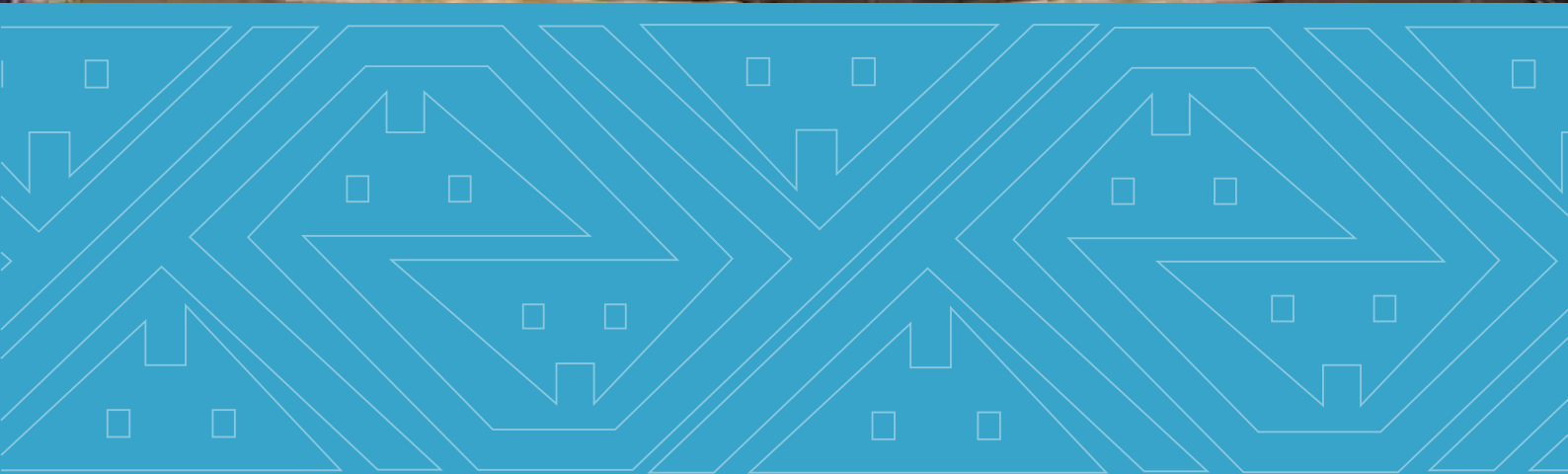
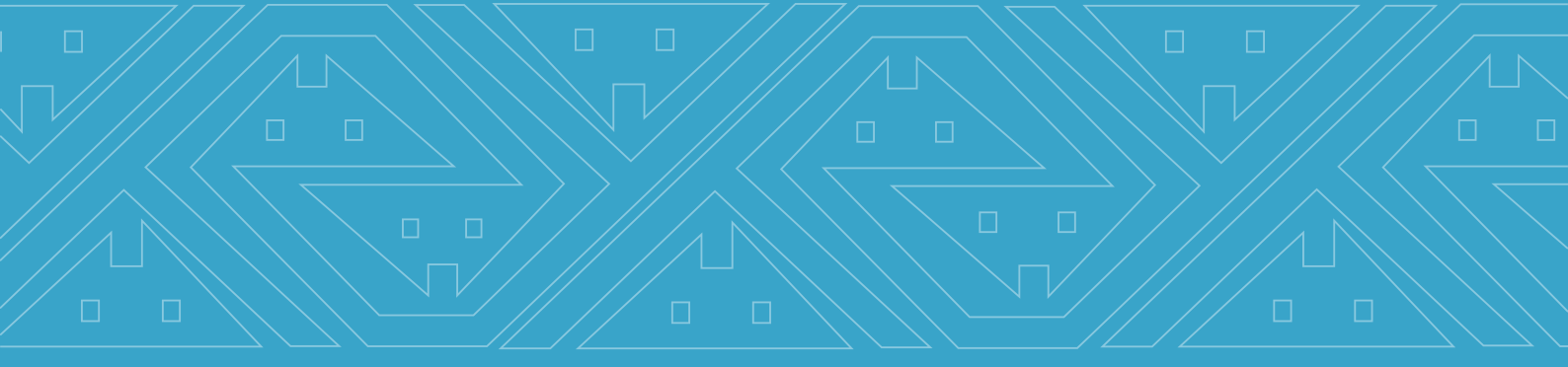
The component for *strengthening training structures* aims at establishing and institutionalizing a national training system for the water and sanitation sector which will be the foundation for continuous improvement of personnel and institutional operational efficiency and, hence, for sustainable development of the sector.

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Closeness to
the Client



Closeness to the Client

New advisory strategy for improving water supplies

One UN Millennium Development Goal is to reduce by half the number of people without access to safe drinking water by 2015. In Peru, according to official figures, only 76% of the population are linked to safe public drinking water supplies, and only 56% to the sewerage system. Major investments in infrastructure are needed to increase the number of connections to water supply and sewerage disposal systems. Yet investment alone is not enough.

A study has revealed that in 2002 only 60% of Chiclayo's 500,000 inhabitants were officially linked to the drinking water network and only 56% to the sewerage system. Yet more than 80% of the population enjoyed water and sanitation nonetheless. The difference was partly due to unauthorized tapping. In some cases, however, people did not take advantage of infrastructure that was already there.

The reason was clear: the costs of installing a new connection to water / wastewater systems were way too high for most people. Then there were the bureaucratic obstacles. To request a connection, a family had to fill in as many

as eight forms and visit sanitation services offices repeatedly. Families living in the rapidly expanding outlying districts, who are mostly poor, have neither the money nor the skills to cope with complex official procedures.

To solve the problem, experts from the drinking water and sewerage program (PROAGUA) of the GTZ joined forces with EPSEL, Chiclayo's sanitation service supply company, to develop a strategy to attract new clients for the company. The solution was very pragmatic: lower connection costs, offer financing opportunities, remove bureaucratic obstacles, and provide help in the form of "connection promoters".

These efforts combined succeeded in increasing connection rates. The "connection promoters" sought out and talked to potential consumers and persons using unauthorized connections about expediting the formalities for a connection. Their success was impressive. In only a year and a half, promoters sold or legitimized more than 10,000 water / sewerage connections in Chiclayo, with very positive results for EPSEL, whose income grew by four percent from the project start.



Good service

Taking their cue from their success, GTZ experts worked with the National Association of Sanitation Service Supply Entities ANEPPSA PERU to broaden the strategy. The idea was not only to raise the connection rate, but also to improve the client cadastre registration rate and water consumption measurement. With their increased income, the sanitation services could invest on their own and improve services sustainably. Twelve companies throughout the country have implemented the strategy since 2006 – with great success and only moderate expenditure. The “connection promoters” from the sanitation services in Ayacucho even advise potential clients in their native language, Quechua, right in their homes. They talk about connection costs and how to finance them as well as the formalities that clients can now take care of directly, on the spot. Lucy Dueñas, head of the Ayacucho promoters, is more than satisfied. “In the past, people had to come three times to complete the requirements for a new connection: once to pay for inspection

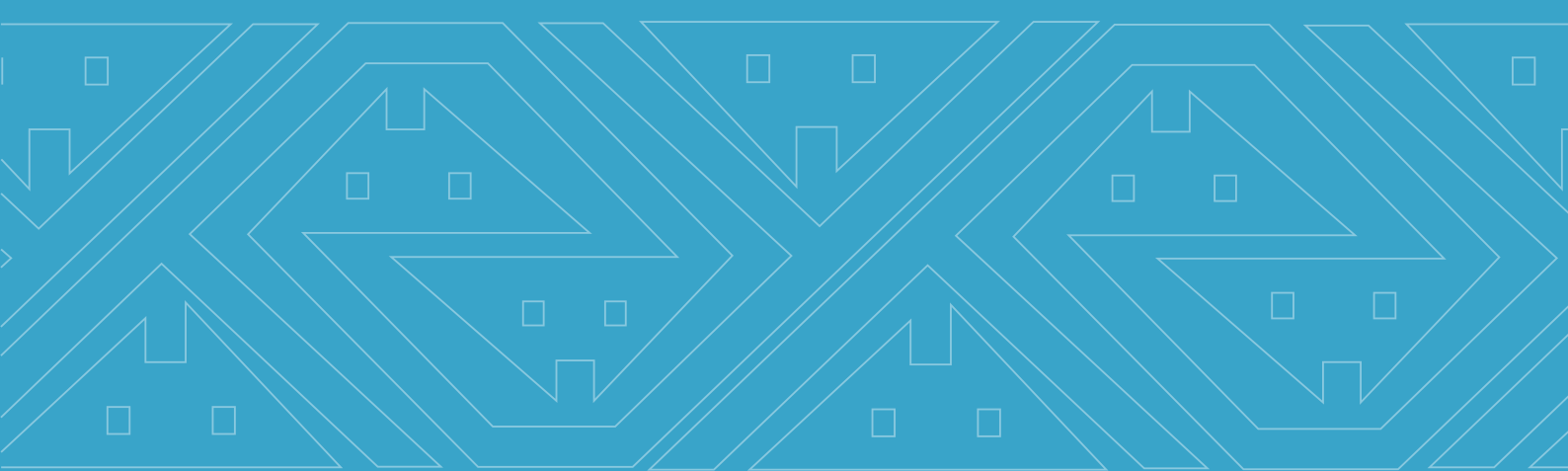
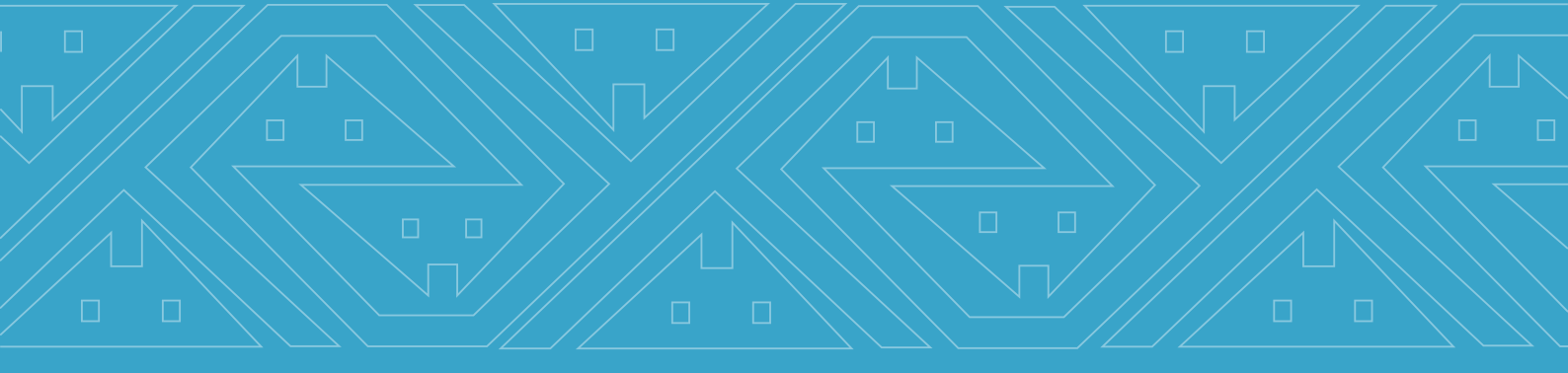
rights, once for the cost estimate, and once to sign an agreement. But now everything has changed. Our promoters visit the families in person in the shanty towns, and they fill in all of the documents right in the people’s homes. Applicants only come to the EPS once, to pay a down payment, and that’s it”.

The sanitation services participating in the program cover more than half of project costs, a sign of management interest in the training program. The reasons are clear: company revenues have notably increased in just a few months. By the end of January 2008, more than 50,000 new water / wastewater connections had been added to the collection systems of the twelve project companies, with significant increases in revenue.

The strategy has proved to be an economically advantageous and effective alternative for sustainably increasing the revenues from sanitation services, so that these companies can in turn invest in better drinking water and sewerage services for the population.



Doña Esperanza from Ayacucho can hardly believe it. A woman came to visit her at her home on her modest plot and carefully explained how she could get a water connection. It was much easier than she thought it would be. “I’m glad to go to the tap to get water now that it’s so easy. The connection is really worth the money,” she says.



**A Valuable
Asset**



A Valuable Asset

Quality drinking water

Water, the foundation of human life, is indispensable for survival. Everyone in the world should have access to water of sufficient quality, but in reality this is often not the case.

Indeed, in the rural regions of Peru and in the interior many people have no access to a safe supply of drinking water. People living in other marginal zones have the same problem and often depend on tanker trucks for supplies of drinking water. These are rarely hygienic by official standards. In the poor provinces of the country, less than 60 percent of households are connected to a drinking water supply. Even if they have a connection, their water is often contaminated with bacteria and filth.

The sewerage situation is even worse. Nationwide, only 60 percent of households are connected to sewerage services, and in poor and rural areas there are practically no connections. Only 23 percent of wastewater in Peru is treated. The consequences are serious: health risks for the population and heavy and widespread environmental pollution.

Vicious circle

Water supply and wastewater disposal services in Peruvian cities are usually the responsibility of municipal utilities, which, however, face many problems. Technical equipment, such as pumps, valves and tanks, are often in deplorable condition. The utilities lack money for maintenance. Few employees have the training they need to meet their responsibilities properly and reliably. Similar difficulties are to be observed at management level. Another problem is the political influence exercised by utilities owners in management affairs and company personnel policy. The vicious circle starts here. Since services are inadequate, people are unwilling to pay for them. Consequently, company revenues fall, decreasing funds for maintenance work or network expansion.

In turn, this leads to leaks in the water pipe network, causing major losses of water en route from the plant to end users and giving rise to pollution. In many areas, Peruvians have running water in their homes for only one or two hours per day. The Peruvian government has recognized this problem. The GTZ and KfW Entwicklungsbank (KfW development bank)





are supporting Peru in its efforts to improve the situation sustainably.

Joint launching

Just how fruitful the cooperation of the German organizations is, can be seen in the little town of Huancavelica. Located in the midst of the central Andes, it is among the poorest areas in the country. Only half of the 45,000 inhabitants had a connection to the public drinking water network, and water flowed for only a few hours a day.

In 2002, GTZ began advisory services to the municipal sanitation utility. At the same time, at the beginning of the KfW investment cycle, GTZ's advisory work focused on optimizing technical and commercial management and corporate planning. However, it soon became clear that political influence was markedly hindering company efforts to supply quality drinking water. Employee motivation decreased, since staff could not cope with their duties. Managerial staff was affected by external factors, and lack of technical knowledge and managerial skills worsened the situation. No one knew exactly what they had to do, and responsibility was shifted from one employee to the next. In short, company organization was markedly deficient.

Better and better

Together with GTZ experts, the company's management tried to change the situation.

Having made good progress, they decided to set themselves an ambitious goal: the introduction of the complete ISO 9001 Quality Management System (QMS) into a Peruvian water supply system for the first time ever.

For two years, technical and managerial personnel attended regular training courses, which had been adapted to the requirements of each company area so that employees were better prepared to do their jobs. For the first time, the company put comprehensive and effective process management in place. Employees started by documenting every procedure and work activity, so that logical and efficient procedures could be established. As a consequence, everyone knew what they had to do and what their responsibilities were.

The company is also introducing a permanent improvement procedure, which is the only way to guarantee that in ten years both the company and its employees will have kept abreast of the times. Since staff members have already been sensitized in this respect, they are highly committed to change. Regular internal audits ensure that all processes in the company correspond to established guidelines and standards. If something does not work as it should, it is immediately pinpointed.

A catalogue of transformation and improvement measures helps the staff to react directly in case of failures and irregularities. Continual client surveys show that the company now assumes responsibility for deficiencies,

omissions or claims. Proven errors and documented omissions can be rectified quickly and efficiently. This affects every company level, including general management, which participates along with all of the other units in the ongoing analysis of processes.

The successful introduction of the QMS system called for constant and intensive efforts on the part of all employees at the municipal utility. The effort has proved worthwhile: on March 30, 2007, the company became the first small-scale¹ sanitation utility in Peru to receive the ISO 9001 QMS certification granted by Lloyd's Register Quality Assurance.

Clients are not the only ones to enjoy the results. Old habits and mindsets in the company are history now. Employees take pleasure in their work and work with a will. They identify with their jobs and are satisfied with and proud of their employer. Managers can also resist external political influence more easily. If the company wishes to maintain their certification status, they must preserve the changes they have made: this is an effective guard against external influence.

GTZ support ended with certification. Now that more than a year has gone by, the company has shown that it can operate autonomously and that staff members understand their business well. During this period, they displayed their competence in another external audit.

¹ Between 1,000 and 10,000 connections.

In Pedro's home, water only used to come out of the faucet now and then. Now he and his brothers can drink as much as they want. There is almost always water. Pipes that had collapsed have to some extent been repaired by the water supply company. If there is any trouble with the supply, their mother just calls up the local water company. In the past, company staff paid no attention, but today they are quick to solve problems. They're polite to Pedro's mother, too.



State Modernization
and Democratic
Participation Program



State Modernization and Democratic Participation Program

Baseline situation

Since the end of the authoritarian regime, Peru has been going through a process of consolidation and democratization. Wide-ranging reforms began with the establishment of more transparent and inclusive state structures geared to subsidiarity. However, large segments of the population still suffer from the effects of exclusion. Centralized procedures continue to predominate in government management and public administration, hindering progress towards effective poverty reduction.

Objective

To develop and implement state reforms based on transparency, democratic participation, effectiveness and subsidiarity.

Strategies and results

The strategy is based upon three components: The component *strengthening control and supervision of state activities* supports public controlling organs and supervision of the introduction of new regulations, procedures and information systems aimed at fostering new participation processes, monitoring action taken, fighting corruption and preventing social conflict.

With the component *strengthening of state financial management*, the program contributes to the introduction of tools that promote transparent, results-driven public fund management and strengthen local government autonomy through improved tax collection procedures.

The component *strengthening state reforms for subsidiarity*, supports development, introduction and implementation of instruments aimed at improving and consolidating state government structures.

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Tax Advantages



Tax Advantages

Increased tax collection at provincial and district levels

Provincial and municipal governments are charged with supplying drinking water, power and road maintenance, and providing schools, public security, and wastewater and solid waste disposal. These services are funded partly through capital transfers and partly through local tax collection. In Peru, however, 80 percent of all provincial and district governments must survive on 5.2 percent of total tax collection. Tax evasion and failure to collect are estimated at 80 percent in provinces and districts. Under these conditions, these entities do not take in sufficient revenue to meet their obligations to the public.

There are several reasons for this situation. Most towns have fewer than a thousand inhabitants, who pay virtually no taxes. Current tax law does not take into account the different population structures within the municipalities, which are characterized by a very varied degree of urban development. Besides, district and provincial municipal tax authorities lack the knowledge they need to do their work properly. The consequences are that rates of tax collection are extremely low and that, in the end, the

public does not reap the benefits of whatever tax potential is at hand. The result is that, due to the lack of financial resources, the services provided by the municipal governments are unsatisfactory, which makes the population reluctant to pay taxes -- a vicious circle.

Aid from abroad

Peru asked for assistance with this unfortunate situation from the Inter-American Center of Tax Administrations (CIAT), headquartered in Panama. From 1977 to 1997, the GTZ advised and supported CIAT in its efforts to structure smoothly functioning and effective tax administrations in its member states. In 1993, cooperation between CIAT and GTZ was replaced in Peru with the National Tax Administration Superintendence (SUNAT) in the city of Lima, which has carried out numerous reforms nationwide. SUNAT's director was then commissioned by the mayor of Lima to step up tax collection in the city so that its residents might enjoy satisfactory municipal services. The SUNAT director was excellently prepared for the task, having learned at SUNAT how to build up an effective and well-organized tax administration.





The starting situation in Lima was not promising. The existing tax administration was poorly organized, with obsolete systems and no guards against tax evasion, inadequately trained staff and procedures that invited corruption. It was a huge task. The mayor followed the SUNAT system model and created an independent Tax Administration Service (SAT) belonging to the city. SAT derives its revenues from its own efforts: five percent of all tax collection returns to SAT as capital. With these revenues, SAT finances staff salaries and whatever infrastructure it needs. In other words, SAT functions as a private company. This approach quickly motivated both employees and managers: the greater tax revenue, the greater corporate capital. And greater corporate capital allows, among other things, higher salaries, which tend to reduce the temptation for corruption.

SAT does not aim to make a profit but to provide better services to clients based on successful tax collection. This means ensuring that taxes are collected fairly from every citizen, that tax evaders are penalized, and that the population is sensitized to the importance of taxes for good municipal work.

A replicated model

Lima's example was followed by others. Eight provincial and district administrations have now created their own SATs, and two more are currently making efforts in that direction. Since 2005, GTZ has been helping new SATs get started and perform their duties. GTZ experts use very concrete measures in working with the institutions:

- Tax experts provide legal representation to help municipal governments start up their Tax Administration Services.
- They hold workshops with SAT employees and officials to help them analyze their municipality's specific problems and jointly develop workable solutions.
- They organize training of new SAT personnel in the offices of experienced colleagues in other municipalities and also arrange a regular exchange of experiences among employees and officials from different SATs.
- They organize courses on management and tax collection, payment and controlling procedures.
- They are currently analyzing five tax administrations that have not yet become SATs and are examining the possibilities for them to do so.
- They prepare guidelines and instructions for tax collection procedures.
- They support an SAT pilot project in Trujillo and will use the same strategy in surrounding municipalities.

The figures clearly demonstrate the success of the SAT model. In Lima, tax revenues increased by 334% from 1997 to 2007. In Trujillo, they grew by 226% in nine years and in Piura by 357% in eight years. In contrast, provincial and district municipal revenues without SAT remain at the

same levels as ten years ago. What makes this dramatic growth especially attractive is that it was achieved with no increase in taxation. The simple fact is that citizens now actually pay their property and municipal services taxes, their automobile and local excise taxes. These tax revenues benefit the poor and the rich alike, since they are immediately converted into better municipal services.

The development of new Tax Administration Services is making non-stop progress. In July

2006, the existing SATs united in an umbrella organization, the Tax Administration Service Association (ASAT). ASAT organizes training for SAT administrative and managerial staff and in-house training for officials from other municipalities in order to achieve uniform procedures and tools in the different SATs and to benefit from one another's experience. GTZ experts advise ASAT on drafting tax legislation and on courses for SAT staff on regulatory change -- a sound and stable foundation for Peru's tax future.

Actually, Rodrigo loves to go to school. But in the past there were never enough textbooks, chairs and tables, and the windows didn't even shut properly. That was no fun at all! Some time ago, a new tax authority was set up in Rodrigo's district. All of a sudden, his school has the money it needs, and it's looking really pretty now. The reason is that the new authority is seeing to it that many more people pay their taxes. This means that the city has more funds. And part of that money goes to Rodrigo's school.



Just Press
the Button
to Check the
Files



Just Press the Button to Check the Files

Better audits thanks to the knowledge management system

In 2007, the Peruvian government allocated 17 million dollars (ca. EUR 12,400,000) from the state budget to fund various public initiatives throughout the country – schools, health care centers, roads. As elsewhere in the world, Peruvian public officials sometimes abuse their authority or engage in embezzlement, fraud and public function misappropriation. In an effort to uncover these violations and ensure that public funds are indeed spent for the purposes they were intended for, the General Comptroller's Office of Peru checks on all public entities at regular intervals. Based on these audits, inspectors then draft reports stating the issues raised, register any irregularities that have cropped up, and make recommendations to managers for improving internal procedures.

If the inspector detects indications of illegal behavior on the part of individual officials or the institution as a whole, s/he files a criminal or civil report for presentation to the Judiciary. If an administrative misdemeanor is involved, the relevant authority penalizes those responsible itself.

To date, the inspectors' work has been laborious, time-consuming and complicated. They have had no technical equipment to assist them, nor have they been able to refer to uniform standards for audits or a database of resolved cases. Consequently, public entities have seldom been audited, and corrupt officials have had no reason to fear the arrival of inspectors.

A step into the modern world

Because of this, the Comptroller's Office resolved to conduct a fundamental modernization of its operations. The GTZ supports the General Comptroller's Office in this effort. The GTZ experts' objective was to establish a knowledge management IT system to compile all information on completed audits and make it available to all General Comptroller's Office employees.

Computer search options would then enable inspectors to access and assess relevant information from reports on audits carried out over the past 10 years. If an inspector discovers indications of irregularity in an audit, s/he can then search the knowledge management system for past indications of irregularity either in the same public entity or a different one. In this way,





the inspector may find a link to potential wrongdoing faster and without any particular effort. The employee would then only need to press a button to benefit from his or her colleagues' experience and findings, to find comparable cases, or to learn on screen what procedures to follow.

A multi-faceted task

Before the knowledge management system could be created, it was first necessary to determine what the General Comptroller's Office expected from such a system, what data the system should contain and who was responsible for its implementation and maintenance. A workshop organized by GTZ advisors helped to clarify these questions.

Then the system's contents had to be determined. GTZ experts and Comptroller's Office officials undertook this task together. They used existing legislation to define criteria that would indicate a crime or misdemeanor. The team fed into the system previous instances of each kind of violation. These cases help the inspector to pinpoint irregularities and illustrate how embezzlement, abuse of authority and other wrongdoing are expressed in an audit.

The system works as a collective knowledge and experience platform for the whole institution. It was also important to guarantee system functionality. Which criteria should be selected for the search? What search options should

be used? Now employees can search for and catalogue cases according to their type of liability, the nature of the violation or the public entity involved.

Having established these conditions, the team of GTZ advisors and auditors began integrating the new knowledge management system into the daily work of the Comptroller's Office. Installation of the IT system alone was not enough: the officials had to learn to work with it. Through the intensive courses held by GTZ, more than 400 employees learned to use the new tool. Many other training measures have yet to be organized.

Meanwhile, the knowledge management system needs to be used more. It is currently updated with new cases and experience from staff members and submitted to regular evaluation of its usability and its value added in terms of the inspectors' daily work.

Inspectors see the advantages of the system every day. The knowledge management program's accumulated and systematized content makes their investigations much more simple, quick and efficient. They no longer need thumb through dusty file organizers: with a click of the mouse they get all the information they need. The drafting of audits and recommendations goes much faster now, and it is much easier to uncover wrongdoing. And this in turn clears the way for proper use of public funds.

At a glance

- A checklist has been produced with uniform criteria for inspectors to use for the auditing of public institutions. In this way, they can rapidly and systematically bring to light any indications of wrongdoing by public officials.
- Audit report quality and relevance have improved. Standardization enables

inspectors to draft their reports more quickly. The checklist makes it easier for them to uncover possible irregularities.

- The compilation of past cases within a modern knowledge management system makes each investigation more efficient and easy. At the Comptroller's Office, staff members benefit from the knowledge and experience of others and the exchange of information.

In early March 2008, a new knowledge management system was officially introduced to several Latin American country representatives. Genaro Matute, General Comptroller of the Republic, personally takes a look to see how the tool works. It will considerably facilitate his audit inspectors' work.



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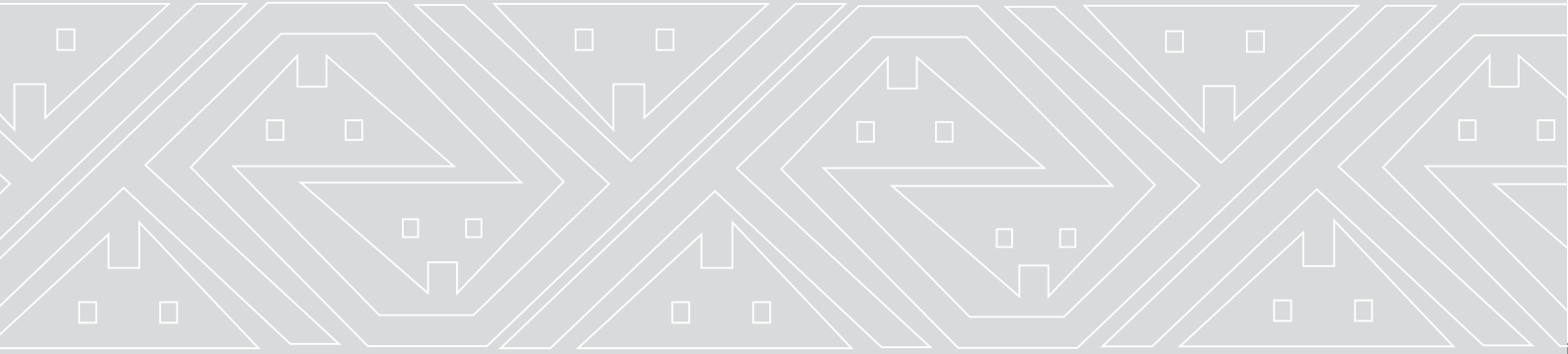
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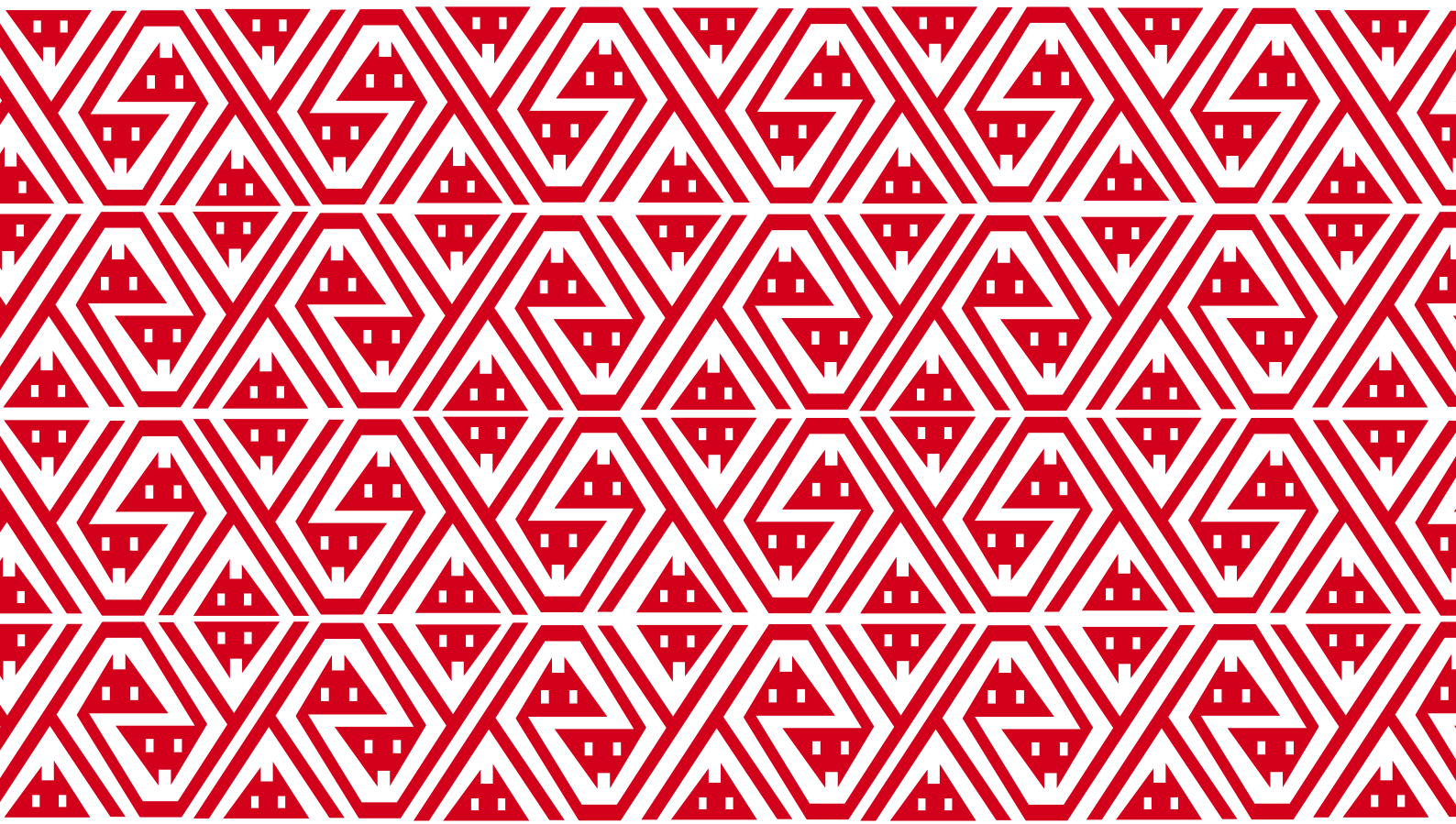
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