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## **“La Plata Llega Sola” [The Money Arrives on its Own]: Reflections on Corruption Trends in Peru**

### **Introduction**

In the last months of 2000, after ten years in the command of the country, the government of Alberto Fujimori suddenly collapsed. The president and other authorities managed to leave Peru using various strategies, but their departure exposed a vast scheme of organized corruption in an industrial scale. The evidences were astonishing and involved a large number of politicians, generals and TV entertainers. Apart from the president, the other key accomplice was his closest and sinister advisor, Montesinos, a former army officer with extravagant habits, zero scruples and a notorious ability to command illegal activities and bribe extensively and systematically (Carey, 2003). The whole story is now well known and contributes a great deal to the negative image of Latin American leaders and the persistent stigma of the regional political system (Matossian, 2010; Meléndez and León, 2010). If we fast forward a bit more than a decade, we find the national government in the hands of lieutenant-colonel Ollanta Humala, the winner of the 2011 election and guarantor of neoliberal policies that have largely depended on the export of primary commodities. Fujimori ended up in jail in April 2009, after being found guilty of a series of murder crimes and the illegal payment of US\$ 15 million to Montesinos (to keep the mouth shut after his downfall). The imprisonment and public deprecation of Fujimori did not prevent his daughter (and former first-lady of the divorced president) to become a central presidential candidate in the 2011 election and in other future campaigns. Alan García, the controversial president who preceded both Humala and Fujimori, in his two mandates so far, has also had a career marked by corruption scandals, but nonetheless remains a chief political figure.

The resilience of corruption practices in Peru provides the context and the motivation of the present, qualitative analysis. The aim here is to provide a critical reflection and

comment upon the meaning and consequences of the non-linear metabolism of corruption in Latin America, using Peru as an emblematic entry point. Other notorious cases have attracted international attention in recent years, such as the *mensalão* in Brazil and the strange relation between the Kirchner presidential couple and construction companies in Argentina. This prompted some high-level reactions, as the grand plan against corruption drew up by the leaders in the first Summit of the Americas in 1994, leading to the Inter-American Convention against Corruption (approved in 1996). However, instead of containing it, the main consequence of extensive media attention is rather the banalization of corruption as a problem deeply consolidated in political traditions and the presence of corrupted circles as an inevitable landmark of most regional governments. The existing literature on corruption – advanced by the mainstream academics and agencies such as the World Bank, Transparency International and the OECD – is normally unable to explain the more integral and multidimensional basis of corruption. Corruption remains an active driving force and represents a robust, intergenerational social institution that is effectively non-negotiable.

The current article is based on fieldwork in Lima that included 24 semi-structured interviews, the attendance of public events and critical discourse analysis of media articles, documents and policies between 2013-2014. The analysis of recent developments was extremely important to inform the examination of lasting patterns of corruption. The methodological approach had to overcome the intrinsic difficulty of any study of corruption or illegal activities that are, by their own nature, slippery and unaccountable. As Lazar (2005: 212) puts it, corruption is everywhere and nowhere, “it is always somewhere else perpetrated by someone else.” Perhaps a little ironically – but certainly fortunate from a research standpoint – the bulk of the fieldwork (in the first half of 2013) coincided with the surfacing of a major scandal regarding the water services of Lima during the previous García administration. In particular, the management of the water utility SEDAPAL and the

investment programme Water For All (APT), which combined public funds and private companies (Ioris, 2012), proved to be fraught with negligence, populism and corruption. It was evident that corruption scandals helped to sell newspapers and amused the audience of TV programmes, but did not affect the defence of the economic model adopted in Peru in recent decades. The connection between the mainstream economic argument and the treatment of corruption as a public spectacle (that rarely has any serious consequences for those who practice it) is, ultimately, highly revealing of the shortcomings and imbalances of contemporary Peruvian society.

The present text is justified by the need to investigate the multiple sources and perennial reinforcement of corruption. That means a radically different conceptualization of corruption, not as a mere deformation of public services and policies (as extensively discussed in the traditional literature, which is too long to review here; see for example World Bank, 2007), but as an integral feature of the organization and operation of contemporary mechanisms of social exclusion and (problematic) political legitimization. It should be recognized that fraud and corruption incidents are always firmly grounded on concrete historic-geographical settings and incorporate the long trajectory of politico-economic processes and the politicization of statehood. The metabolism of corruption evolves through various stages that combine permanence and renovation, as much as the already mentioned spatial and scalar interconnections. Corruption persists in the social tissue of highly unequal societies only to resurface in an intense fashion when the politico-institutional circumstances are more favourable.

In conceptual terms, the persistence and the new impacts of corruption derive from a *dynamic interface between synchronic and diachronic pressures*. Corruption, as a social relation that reflects group and class inequalities, remains alive in those same inequalities during long periods of time (which corresponds to its diachronic dimension) but proliferate

synergically across different sectors and activities whenever the mechanisms of control are relaxed (its synchronic dimension).

The synchronicity of corruption contains the convergence of the appropriation of public resources, sociopolitical asymmetries, weak control systems and the absence of a genuine democratic, transparent political regime. Diachronic corruption, in its turn, is located in the (also historic-geographical) relations of production, allocation and reproduction. Moreover, while synchronic production is localised in certain places, sectors or moments, diachronic corruption incorporates the legacy of past injustices and replicates it on present and coming socionatural formations. Synchronic corruption is the manifestation of the more persistent and even more perverse course of diachronic corruption. The synchronic manifestation of the historic-geographical phenomenon of corruption is an element of the lived, but profoundly unequal, space of nations, regions and urban or rural areas. In the case of the fast growing megacities of the Global South, the metabolism of corruption plays a very important role in the formation of uneven and harsh urban landscapes. The unequal megacity is a locus of condensed corruption, demonstrated by the scarcity of housing, water and services in some areas next to pockets of wealth (i.e. urban corruption is another expression of the widespread crisis of capitalist overaccumulation, as capitalism evolved from abundance of scarcity to scarcity and abundance).

The pulse between synchronic and diachronic corruption provides a better explanatory tool than the more common, but static, argument about 'systematic corruption' (e.g. Johnston, 1998). The explanation around systematic corruption typically fails to consider the also important roots of corruption in national development and social inequalities. In contrast, it is the mutual reinforcement between diachronic and synchronic axes that makes corruption such a resilient and challenging problem. Because of synchronic and diachronic tendencies, corruption is a highly contextual but also a generalisable phenomenon that tells a great deal

about the uniqueness and commonalities of local and national development experiences in different parts of the planet. More significant than trying to assess whether corruption is increasing or decreasing is the careful consideration of the diachronic and synchronic manifestations of corruption and what these means for the legitimization or transformation of socioeconomic relations, as analysed next in relation to Peru.

### **Diachronic and Synchronic Corruption in Peru**

We may start the analysis with a reference to one of the most famous books published by a Peruvian author: *Conversation in the Cathedral*, by Vargas Llosa (published in 1969). The story takes place in the post-World War II years, characterized by political instability, authoritarianism and recurrent corruption scandals that basically reproduced many of the controversies faced by the country since independence. The government of Odría (1948-1956) combined populist measures with a harsh treatment of left-wing groups and rampant corruption. The context of limited economic and political liberties of the time, amid the rapid enrichment of president's advisors and ministers, was brilliantly captured by Vargas Llosa. The main character in the story is Cayo Bermúdez (also known as *Cayo Mierda*, inspired in Alejandro Esparza Zañartu, the right-hand man of Odría for political repression). Don Cayo is the paradigm of an opportunist, violent and corrupt minister.

Vargas Llosa's book shows the promiscuous relation of civilian and military authorities and the struggle to maintain close proximity to power. For a while, Cayo is a key figure in the central administration, charging substantial bribe in exchange for facilitated contracts and inflated payments. Moreover, he is fully aware of the transitory nature of his influence and the vulnerable position of all leaders, including General Odría. Don Cayo knows that his role is doing a dirty job that is only temporary and that he will be later the obvious culprit of the excesses perpetrated by the administration. In his words: "*Cuando el*

*régimen se termine, el que cargará con los platos rotos seré yo*” [When the political regime is over, I will be the one responsible for the broken plates] (Vargas Llosa 2010: 325). The predictable debacle of the minister mishandles a situation of regional strike and allows too much violence to take place. Cayo is expelled from government and escapes to Brazil, not without leaving a serious message about how to operate in a corruption circle: “*No te fíes ni de tu madre*” [Don’t trust even your mother] (p. 557). In real life, history was more understanding and Odría managed to negotiate a transition to formal democracy in exchange for a generous amnesty to him and his ministers.

Between the 1960s and 1980s, Peru was governed by elected presidents and military dictators who promoted different nationalistic policies but never really attempted, or were able, to curb institutionalized corruption. The military coup of 1968 marked the end of the old oligarchy and opened space for the emergence of new groups and networks of power that once again reproduced huge social inequalities (Figueroa, 2002). Corruption was nurtured by growing drug production and the rambling effort to control the advance of leftist guerrillas in the 1980s. The most destabilizing politician of this period was Alan García, the first and only president affiliated to APRA, which is the oldest and best organized political party of Peru, founded in 1924 with a revolutionary manifesto but with a long history of populism and connivance with corrupted practices. Numerous cases of corruption emerged during his government, among those the very suspicious purchase of Mirage fighter planes and deposit of national reserves in the troubled bank BCCI (which was notoriously involved in money laundering and weapons trafficking). García finished his government with hyperinflation, instability and a turbulent handover to the next president, Alberto Fujimori. Due to numerous allegations of corruption and mismanagement, García spent most of the 1990s self-exiled in Paris and articulating his defence and return to political life. Instead of being found guilty of corruption crimes, García orchestrated a surprising comeback to the presidential palace. “The

history of the legal cases against him between 1990 and 2001 illustrates a pattern of manipulation and exploitation of judicial incompetence and corruption as a means to regain power, which García managed to do in 2006” (Quiroz, 2008: 347). The diachronicity of corruption re-emerged in the last decades of the century with the widespread, synchronic cases of fraud and graft fostered by the liberalization of economy and politics in Peru.

### **The Corruption of Neoliberalism or the Neoliberalization of Corruption**

Fujimori, the improvised candidate and unexpected winner of the 1990 election (to a large extent, due to the unstated, but crucial, support received by Alan García in his vicious rejection of Vargas Llosa’s candidacy), seemed to be the right man in the right place for the job. At least from the perspective of the business sectors and their expectation that hyperinflation and the Maoist guerrilla were both contained. The radical neoliberalism promoted by Fujimori served to consolidate the trend, initiated in the previous decade, of power concentration in the hands of emerging, significantly more homogenous economic elite associated with international corporations (Durand, 2011). In parallel, and nurtured by the neoliberal disassembling of the Peruvian state, Fujimori and his team did their best to accumulate huge sums of money. One of the initial steps to secure that goal was the pocketing of donations made by the Japanese government for the needs of poor children in Peru (US\$ 12.5 million); Japan donated around US\$ 100 million for humanitarian causes during the decade, but 90% ended up in the personal accounts of Fujimori and his relatives (Quiroz, 2008: 378). In 1992, the regime became semi-dictatorial thanks to a *auto-golpe* [self-coup], which allowed the replacement of the last vestiges of an underdeveloped form of Keynesian state with liberalizing measures aimed to stabilize the economy and bring inflation under control. The last years of the Fujimori administration were marred by corruption in a massive scale by the president and members of the cabinet. What became clear only a little later was the extent of organized corruption being managed from the top of the national

administration (at that stage Weyland (1998) still exempted the president from the widespread corruption, blaming only Fujimori's top advisers).

The Fujimori government was not only an acute case of authoritarian neoliberalism, but became a true kleptocracy that operated through three different mafias specialized in robbing separate structures of the state: the 'white mafia' led by Jorge Camet (Economy Minister), the 'yellow mafia' in the hands of Fujimori and the 'green mafia' (green of the military uniforms) managed by Montesinos (Durand, 2003). It was particularly the frantic activity of Montesinos, on behalf of Fujimori and other cronies, responded for the strength and continuation of the government. The special advisor was extremely competent in his extensive bribing and blackmailing of generals, politicians and journalists. Montesinos accumulated increasingly power after the (dodgy) re-election of 1995 and operated in many different fronts, including the channelling of money obtained from the privatization of public utilities to buy military planes from Belarus for US\$ 470 million (obviously charging a handsome commission for the operation) and the mediation of 10,000 AK-47 rifles to the Colombian Revolutionary Armed Forces (FARC) against the interests of the USA (the transaction was later discovered by the CIA and precipitated Montesinos downfall). The regime became closely involved in the repeated violation of human rights and in the payment of illicit commission to foreign countries and arms and drug dealers (Calderón Navarro, 2006). It became gradually more evident in the last years of the Fujimori administration that who was actually in charge of the country was Montesinos and that the 'elected' president was rather a symbolic figure (Durand, 2003; Caistor and Villarán, 2006).

Because of the divestiture of state utilities and companies, conducted according to the neoliberal canon of the time, Fujimori was publicly credited with having reduced petty corruption in state companies, however in reality corruption remained pervasive and deeply institutionalized, particularly bribes paid to the judiciary, the police and local authorities

(Hunt, 2006). Beyond the immediate appropriation of public money and the enrichment of mafia-like circles, the hypertrophy of corruption was instrumental for the consolidation of illegal or semi-illegal economic activities. The Fujimori administration maintained promiscuous connections between civil servants and corporations, in special the back and forth movement of people that work for the government, then work for a corporation just to go back to the government again. The agencies established to control corruption – particularly the *Controladora General de la República* and the *Oficina Nacional Anticorrupción* (replaced by the *Consejo Nacional Anticorrupción*) – were constantly undermined and unable to do much about the misuse of public funds (Grampone and Barrenechea, 2010). An investigation by the post-Fujimori congress found that corruption was indeed happening in a massive scale, including the siphoning of money from pension schemes, the privatization of public companies, foreign debt negotiation, and drugs and arms trafficking (Congreso de la República, 2003). It is estimated, although it is very difficult to demonstrate, that corruption during the Fujimori regime reached 50% of total state expenditures, something like an annual average between US\$ 1.4-2.0 billion, which means a total loss between US\$ 14-20 billion during the 1990s (Quiroz, 2008).

Corruption by the Fujimori government was associated with rent-seeking and mercantilist economic behaviour, as well as political cynicism and apathy (Cotler and Cuenca, 2011). The situation of limited civil liberties and energised corruption emanating from the highest echelons of the public administration, together with growing demand in North America, paved the road to the growth of a vast chain of cocaine production, concealment and distribution (Gootenberg, 2006). During the decade, mineral extraction expanded enormously in Peru due to a combination of high prices in international markets, new technologies and the institutional guarantees offered by the government to foreign investors. Between 1990-1997, while sectoral investments increased by 90% in the world, in

Latin America the expansion of mineral production reached 400% and in Peru it was 2,000% (World Bank, 2005, in Bebbington, 2011: 53). In 1996, a new legislation centralized and simplified the concession of licences for mineral extraction, at the expense of the rights, needs and demands of communities living in the mountains and in the Amazon. It stimulated the internationalization of the mining sector in the hands of large corporations. Fujimori and Montesinos, especially after 1996, disorganized the control systems of the Peruvian State (including the judiciary, public prosecutors and the media) to feed the money hunger of their criminal circle. In doing so, they were compelled to flexibilize state control over both national and international companies, which incidentally became tacit allies of the government. This connection between the immediate ambitions of corrupt authorities and bribe-paying companies was more than fortuitous, but the great corrupting power of the Fujimori regime was the establishment of renewed mechanisms of economic exploitation and ideological mystification.

Under growing scandals and an economic downturn, the Fujimori government crumbled in 2000 and was followed by the interim administration of Valentín Paniagua, which took several important measures to restore some confidence in the judicial system. The nefarious modus operandi of Montesinos was exposed (ironically, it was facilitated by the videos recorded by Montesinos himself, known as *vladivideos*) and led to the arrest of more than 60 people (politicians, judges, generals and businessmen) caught in the web of corruption spun by the regime. The National Anticorruption Initiative (INA), promoted by the Ministry of Justice, was an attempt to bridge state and civil society. However, other plans and suggestions were never implemented and quickly shelved by the next administrations. In July 2001, the economist Alejandro Toledo started his government with good level of political approval. Nonetheless, the new president was soon criticised for the mishandling of privatization and for his turbulent negotiation with civil servants. President Toledo was

personally affected by bad publicity about his personal habits (e.g. purchase of expensive liquor and lavish holidays) and because several of his advisors were involved in cases of corruption. Toledo concentrated on prosecuting those involved in the Montesinos affair, but failed to adopt anti-corruption recommendations of agencies such as the World Bank once the new anti-corruption mechanisms threatened his own government (Hunt, 2006). Despite the evident condemnation of corruption during the Fujimori years, the Peruvian judiciary continued to lack financial resources, inadequate budget and limited transparency of the anticorruption system (Calderón Navarro, 2006). At the same time, a significant proportion of the media was still associated with the Montesinos Mafia and used that information to press for amnesty of those being prosecuted. The Toledo administration gradually lost interest in advancing more efficient procedures to curb corruption, which became even worse under the subsequent government (Pariona Arana, 2012). The first decade of formal democracy (after the end of the Fujimori dark years) neither removed the authoritarian legacy nor reduced social conflicts and widespread corruption (Meléndez and León, 2010).

The 2003 report of the Commission for Truth and Reconciliation – the commission had been set up by Paniagua to investigate allegations of recent human rights violations – contained a comprehensive assessment of the period 1980-2000 and related corruption and violence to the long legacy of inequalities and the shortcomings of the Peruvian public sector (McClintock, 2006). Despite the course of action recommended by the Commission, Toledo showed signs of hesitation and had very little political appetite to advance a serious reform of the judicial system and of the military. Since the downfall of Fujimori, the reaction against corruption gradually lost prominence in favour of economic growth and market expansion (Peña-Mancillas, 2011). The reluctance to fight the roots of corruption was followed by the determination of the next president – Alan García, who capriciously returned to the presidential palace in 2006 – to exercise his undue influence over the judiciary, the congress

and his own party (APRA). García is probably the main character of the recent history of Peruvian politics, the person who made Fujimori a victorious candidate, forced the retirement of Vargas Llosa from politics, sustained Fujimori's legacy and consolidated neoliberalism. García incarnates the old populist patrimonialism of the Latin American elites, disguised in neoliberal colours and subordinate to the logic of globalized markets. Just as in the 1980s, García controlled his party and in the country through mysterious manoeuvrings and had his name constantly associated with questionable practices. During his second term as president, García strived to advance the neoliberal agenda, which included several free-trade agreements, concessions of natural reserves and contracts with foreign construction and investment companies.

To be sure, the election of García can only be explained by the fear that the other candidate in the second round of the 2006 elections – Ollanta Humala, another improvised candidate, uncomfortably supported by Evo Morales and Hugo Chávez – could undo the neoliberal achievements since 1990. García used his vast political expertise and profound knowledge of the electoral game to promote a business-friendly image (e.g. promised to support the USA-Peru trade liberalization) combined with demagogic proposals. García was so comfortable using his populist and centralizing approach that even acknowledged, with a dose of irony, the stereotype of APRA politicians as notoriously corrupt (McClintock, 2006). After the electoral victory and the return to the presidential palace, the García's administration was marred by scandals involving bribes and suspicious activities. In 2008, the case of the 'petroaudios' attracted huge attention and forced the resignation of the prime minister and supreme court judges: videos were made public with executives of the Peruvian state-owned petroleum company Petroperú negotiating payments by the Norwegian company Discover Petroleum to facilitate the winning of exploration contracts. Not by coincidence, also in 2008 García closed down the *Oficina Nacional Anticorrupción* (Grampone and

Barrenechea, 2010). While the anti-corruption instruments were scaled down, there was a significant sophistication of illegal practices or the corruption associated with economic activities.

Another strange incident happened when García accepted a private dinner invitation from the writer and journalist Jaime Bayly in 2010. What really happened is not entirely clear, but Bayly later affirmed that the president incited him to run for office in the next general election, despite the journalist's disappointment with the official salary (something like US\$ 3,000/month). According to Bayly, García lighted and candidly reassured him that it should be no problem because, once you become president, "the money arrives on its own" [the full sentence was a bit more vulgar: "*no seas cojudo, hombre, la plata llega sola*"]. In the same evening, García apparently claimed that, if Humala wins the election, he would lead a coup d'état to 'free the country' (sic) from such threat (Bayly, 2010).

The result of the 2011 general election – the dispute for the succession of President Alan García – was once again extraordinary. First, repeating what had happened in 1990, García destroyed any chance of his party, APRA, to gain the election in order to leave the door open for him in the next presidential election in 2016. Second, for several years before the election, very few people believed in the possibilities of Ollanta Humala, especially because of his unconventional career, nationalist discourse and confusing political allegiances. In the second round, Humala competed against Keiko Fujimori (who is a strong candidate for the 2016 presidential elections), the congresswoman who was converted into the new leader of the Fujimori clan. Humala's victory and his almost immediate submission to the neoliberal order was part of Latin American's movement to a different, *pero no mucho*, state of capitalist production. The day he was invested with the office of president, Humala promised allegiance to the Constitution of 1979 (approved in the process of redemocratization after the military period), but in practice quickly moved to become a

defender of the 1993 neoliberalizing constitution introduced by Fujimori. It follows the trend of left-wing politicians coming to power in Latin America to introduce some social concessions (especially as conditional cash transfer programmes) but mainly to manage an hegemonic neo- extractivism that frustrates those expecting deeper changes (Burbach et al., 2013).

Humala tried to give to the national and international public the impression that he was going to take corruption seriously. The National Anti-Corruption Plan was published in 2012 (Supreme Decree No. 119) and the Anti-Corruption Strategy of the Executive Branch was introduced in 2013 (Supreme Decree No. 046) with a set of principles and recommendations. The government strengthened the work of the Prosecutor Anti-Corruption that had been established in 2001 and then watered down by García (although in 2013 it was still spending most of its energy on petty crime instead of large corruption incidents). There were 20,000 cases of corruption under consideration in 2013, but a main problem was still the lack of resources and specialized knowledge of investigators and judges.

Under the leadership of the recent presidents, the Peruvian economy remained significantly dependent on mineral exploitation, as well as the commercialization of imported goods. The concession of mining activities to foreign companies continued to create opportunities for new rounds of corruption, as well as the intensification of socioenvironmental conflicts. According to the *Defensoría del Pueblo* (2009), 46% of social conflicts in 2009 were related to socioenvironmental disputes. The most violent was the Baguazo, when indigenous communities occupied roads against new laws passed by García to allow oil and mining companies to enter their territories without consent or consultation of the local communities (García claimed these laws were necessary to implement a Free Trade Agreement with USA). The police attacked on the 06 June 2009 and the clash resulted, according to official government sources, in 5 civilians killed and 5 natives, 23 policemen

and 89 people wounded; journalist and indigenous leaders bitterly disagreed and some claimed that hundred were killed and the corpses were thrown to the river (BBC, 2009).

A further and notorious example was the concession granted by the García administration to American company Newmont to explore Conga, near the northern city of Cajamarca. The US\$ 4.8 billion project was supposed to start production in 2015, but the local communities voiced fierce protest against the threat to their water supplies due to the inadequate provisions to prevent lake contamination. Conga was approved in the context of 20 years of growing mining activity together with the relative absence of the state from the process of conflict negotiation and resolution (De Echave and Diez, 2013). There were mounting tensions during the assessment of the Environmental Impact Assessment, which prompted a number of marches and demonstrations in several localities. In July 2012 the conflict scaled and five persons died and many others were injured by the police. The project was eventually suspended once it was accepted that it lacked the minimal conditions for its implementation. Apart from mining operations, investments in the water sector of Lima also provided favourable opportunities for politico-economic disputes and associated forms of synchronic corruption.

### **Water Sector Ramifications of Diachronic and Synchronic Corruption**

As mentioned above, the water industry of Lima was a privileged locus for corruption and populist measures during the García administration. It was certainly not a simple coincidence that most of the corruption accusations against President García investigated was related to the projects and investments in water services. On the contrary, the manipulation of water supply of the capital city has been a recurrent expedient employed to assist party politics and enrich corrupted authorities. The fact that around a third of the national population lives in the capital means that the announcement of water infrastructure projects for the crowded periphery of the megacity has huge political appeal and easily justifies vast

sums of money to be invested in (sometimes questionable) water treatment works (there has been much less interest in sewage collection and treatment). Particularly since the middle of the 20<sup>th</sup> Century, with high rates of demographic growth and growing water demand, all governments promised to treat the most urgent water problems of Lima as a top priority, which invariably led to rushed investments, waste of resources and corruption. Not surprisingly, despite the sustained discourse about improving water services, water scarcity and poor water quality remain key problems for many communities or entire settlement. Persistent water problems continue to affect not only the marginal areas of the city (with around 5% of population without public services), but 48% of the population of metropolitan Lima suffer from water of substandard quality (RPP, 2013).

There were early signs of extensive corruption affecting the water utility SEDAPAL even before the transition to the administration of Ollanta Humala. For instance, in 2010, the chief-executive of SEDAPAL (Guillermo León) had to resign due to serious allegations of corruption in new water treatment plants involving members of his family, politicians and private contractors (El Comercio, 2010). Also an investigation for the TV programme Panorama, of the local Channel 5, revealed the recorded voice of a politician of the ruling party (Julio Herrera) negotiating the results of tendering processes related to the improvement of the services in San Pedro de Carabayllo (La República, 2011). The irrefutable evidences of graft and dishonesty during the García government, together with the reduced number of congress members from his party (APRA) after the 2011 election (i.e. there were not enough congressmen to stop the investigation), prompted to the formation of an investigative commission, known as the megacommission (*megacomisión*). Part of its remit was to scrutinize the Water For All (APT) programme in Lima (including the allegation of fraud, incompatible transactions and the abuse of public office in 1,584 engineering works with a total cost of around US\$ 2.0 billion). APT attracted large construction and consultancy

companies to do business with the water utility of Lima, even beyond its supervisory capacity. With massive investments in a short period of time and careless control of targets and payments, APT created very favourable conditions for mismanagement and corruption. Particularly the wastewater treatment plants of Taboada (US\$ 342 million) and La Chira (US\$ 192 million) had serious suggestions of corruption (Ioris, 2013).

Based on the evidence put before the megacommission, it became crystal clear that the invocation of the urgency was very instrumental in facilitating adjustments in original plans and without the need of a careful technical justification or legality of the changes. As repeatedly affirmed by the chairman of the megacommission, Congressman Sergio Tejada, in many occasions, the García government issued emergency decrees that facilitated the approval and speeded up the execution of the projects with reduced control and monitoring (Hildebrandt en Sus Trece, 2013a). APT was so ambitious that overloaded SEDAPAL with multiple construction works, although the programme only included modest funds for infrastructure maintenance (the obvious explanation was the much easier and quicker deviation of money from large constructions, especially when carried out simultaneously and with very limited supervision). In New Pachacútec, a large settlement in the north of Lima, major projects were initiated with only superficial technical plans and without even sorting out the ownership of the terrain (El Comercio, 2013a). Several of those interviewed during this research mentioned that there is a tacit agreement that at least 10% of the total cost of an engineering project was diverted to politicians and to the administrators of the public utility. As typically happens in similar circumstances, after leaving office Alan García started to make conferences, at the cost of US\$ 60,000 each, often paid by the same companies that own profitable contracts with his government (El Comercio, 2013b). In that context, the Attorney General's office ordered the lifting of banking secrecy of Alan García's accounts to facilitate the investigation of wrongdoings. García had publicly acknowledged the purchase

of a US\$ 830,000 new house but explained, with a great dose of sarcasm, that the money was obtained from the selling of books and conferences. While shocking revelations coming from the megacommission, the ex-president took a surprisingly aggressive approach and constantly tried to underplay the significance and the validity of their work. The megacommission was attracted fierce reaction from García and his closest allies, who repeatedly argued that its main purpose was to prevent the next candidacy of the former president in 2016 (El Comercio, 2013c). In May 2013, the megacommission decided to formally accuse García for numerous the irregularities, but the ex-president immediately replied that it was a ‘Chavist manoeuvring’ [reference to the late Hugo Chavez of Venezuela] and that his efforts to expand the water services of Lima were merely the operationalization of a decision made by the former president Toledo. As it is widely recognized, García continued to maintain strong personal connections with judges and supreme court members appointed during his two administrations, which helps to explain why the former president acts as if had some sort of immunity from prosecution.

The material consequences of the investigation by the megacommission were far from certain. Nonetheless, the controversy around corruption in the water industry of Lima served as justification for reducing public subsidies and even the privatization of SEDAPAL (which was intended in the 1990s and then dropped due to operational difficulties and political resistance, see Ioris, 2012). Utility privatization never really disappeared from the agenda of multilateral agencies working in Peru, but this argument returned more strongly once the mismanagement of the Water for All programme and misconduct in SEDAPAL. That was clearly the position taken by the most influential newspaper of Peru, El Comercio, in its editorial page during the coverage of the megacommission’s work. In January 2013, the newspaper editors identified as the main problem of water services in Lima the fact that these remain in the hands of the state. Different than other sectors, SEDAPAL is state-owned, that

is, “has no owner and, therefore, nobody there is interested in doing the right thing in order to make it more profitable”. Instead of focusing on social demands for better services and the criminal activities of utility managers, the newspaper attacks the government itself for the failures. In their view, “the government forgets that problem of SEDAPAL is not the lack of resources, but the lack of incentives to do its job” (El Comercio, 2013d). It is evident here the employment of the same anti-state discourse – disguised as anti-corruption appeals – advanced by mainstream organizations with neoliberalizing inclinations.

A clear evidence of the insistence on the same model of water services, highly vulnerable to corruption, was the announcement in 2013 of new investments (8.443 billion soles or around US\$ 3.27 billion) in 148 water projects by the new administration of Ollanta Humala to expand the coverage of potable water and improve the pipeline network. Once again the promise is to reach 100% of service coverage and benefit two million residents in 3,600 human settlements by mid-2016. It is highly significant that such investments were announced without any significant change in the rationale of water management and in the relation between SEDAPAL and its clients. One disturbing indication of how things remain practically unchanged is the career of senior authorities, as in the case of the Minister of Housing and Sanitation (Mr René Cornejo), who has played important roles in all administrations since 2000 and eventually – and quite controversially – became prime minister early in 2014. This suggests that also the personal trajectory of key political players moving from one senior position to another in different governments has in itself an element of synchronic and diachronic corruption.

### **Conclusion: Recognizing the Well-Known Unknown**

This brief account of the experience of corruption in Peru illustrates well the mismatch between the narrow, technocratic comprehension of corruption by national and international hegemonic agencies and the deeper social and political repercussions of the

same practices. Corruption is more than simply the mishandling of public assets, but it effectively represents a misappropriation of social opportunities and the systematic marginalization of most of the national population. Corruption has palpable consequences for the lives of the whole population, first of all because it helps to reinstate in power conservative elites and maintain class-based hegemony. The previous section demonstrated that corruption has been a key social institution since colonial times, but it re-emerges and becomes particularly widespread in specific historical circumstances or specially associated with certain public sectors or public utilities. That was the case in Peru under the neoliberal reform of the state in the 1990s, which provided favourable opportunities for the manipulation of the political system and the capture of the revenues of privatization, and in relation to the investments in the water industry of Lima in the 2000s. Rather than a purely criminal or ethical issue, the activity of those promoting or benefiting from corruption represented a creative force for neoliberal interests and the organization of new accumulation strategies. Corruption is a social relation at the interface between different scales of interaction (the sectoral, local, national and international scales) and between long-term tendencies and contemporary developments. It means that the metabolism of corruption involves spatial and temporal synergies that operate in synchronic and diachronic directions. Every new scandal involving public authorities in another ploy to make money and maintain political alliances (the synchronic element of corruption) is also nurtured by the long-lasting organization of statecraft and socioeconomic exclusion (the diachronic element of corruption).

Corruption may never have been so much in evidence in Peru since the fall of Fujimori in 2000 as it is now with the investigation about mishandling of water investments by the García administration. At the same time, it doesn't seem to matter much, given that higher income groups benefit greatly from the export of primary commodities to global

markets hungry for Peruvian minerals (especially in Asia). The majority of the population maintain a daily struggle for survival and have developed significant cynicism about national politics (largely because almost nobody is ever punished for practicing or soliciting corrupted practices). Most of the attention paid to corruption is driven by the initiatives of multilateral agencies and international NGOs, which campaign to improve the business context, preserve the flows of money and reinforce the model of development. This anti-corruption discourse narrowly focuses on the immediate threats to the integration of Peru into globalized markets, but it is an effort aimed to please foreign constituencies. Corruption is apparently a problem of the better-off, while the poor continue to suffer hunger, inflation and violence (Torres Guzmán, 2011). For the Peruvian society there is nothing really new in the fact that public authorities abuse their positions for private advantage and 90% of the population answered in a survey that do not report graft cases (The Economist, 2013). Every government since independence has promised the moralization of the state just to repeat the same practices and, at best, remove corrupt ministers and civil servants. The situation changed very little and almost all the names with some chance of running for presidency in 2016, as well as one quarter of the congress, were lately involved in obscure events or faced corruption charges.

Particularly the controversies about the water sector of Lima contain all the element of the wider debate the future of the public sector and the extent that corruption is a problem with different epistemological basis and conflicting repercussions. The conservative modernization of the water utility of Lima demonstrates the perverse synergy between diachronic and synchronic corruption. The sector has always been a favourite locus of populism and an easy justification of large projects (when public funds or loans are available), which represents the diachronic pattern of corruption. But in more recent years the water services of Lima became the locus of massive investments and spurious transactions that were not dissociated from other criminal activities and large-scales projects

synchronously promoted by the national government. Multiple strategies were needed to justify and implement those projects, including the manipulation of public involvement. Public participation has been significantly weakened in recent years following the World Bank protocol of 'participation for results'. What has happened in Peru reflects the consideration of water corruption by agencies such as Transparency International (2008), which highlight the negative impacts of corruption on low-income groups and on the environment, but largely restrict is to a crisis of governance and as a threat to private sector participation. Corruption is not only a destructive phenomenon, but is can also be a productive process, at least from the perspective of those in power and directly or indirectly benefiting from corruption and those with other hidden agendas. Overall, the effort to interpret and do something about corruption is only one chapter of the much wider struggle to democratize the state and produce a more inclusive and egalitarian society.

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