



OXFORD ANALYTICA

PERU

MONETARY TRANSPARENCY

Country Report 2006

Copyright © December 2006

Oxford Analytica Ltd
5 Alfred Street
Oxford OX1 4EH

Any reproduction in whole or in part without
the written consent of Oxford Analytica Ltd
is strictly forbidden.

PERU



COMPLIANCE RATINGS

<i>Monetary transparency</i>	2006	2005	2004	2003
Clarity of roles	●●●●	●●●●	●●●●	●●●●
Open decision process	●●●●	●●●●	●●●●	●●●●
Availability of information	●●●●●	●●●●●	●●●●●	●●●●
Central bank accountability	●●●●	●●●●	●●●●	●●●●
Score	4.25	4.25	4.25	4.00

OUTLOOK & COMMENTARY

Following his inauguration on July 28 this year, Peruvian President Alan García's nominations to the Central Reserve Bank of Peru (BCRP) Board of Directors signalled that the government is not intent on seeking to diminish the independence of the BCRP. In fact, new BCRP Governor Julio Velarde is a highly respected economist who is likely to steer a more independent and market-oriented course than his predecessor.

The BCRP has successfully brought inflation down to low levels, and this year begun operating a monthly (rather than annual) inflation targeting framework. Additional gradual technical improvements at the already highly competent BCRP are likely, which should lead to a further enhancement of monetary transparency in 2007.

Given the ongoing commodity price boom and the growing attractiveness of Peru to foreign investors, the economy will remain buoyant in 2007 -- unless there is a sharper than expected downturn in the United States. The ensuing upward pressure on the Peruvian sol will largely be contained by the BCRP; a freer float is likely only in the longer-term.

EXECUTIVE SUMMARY

4.25 Compliance in progress

The Central Reserve Bank of Peru (BCRP) continues to be regarded as one of the most professional institutions in the country. It has a tradition of successfully asserting its independence and generally contributes to high levels of monetary transparency. Despite the election of a new government this year and the corresponding nomination of a new BCRP Board of Directors, change in issues affecting monetary transparency has been minimal in 2006. In some areas there remains room for improvement.

The nomination of three members of the seven-member Board by Congress on November 23 followed a delay of four months, which generated considerable uncertainty, although it did not impede the functioning of the BCRP and had only a minor and transitory effect on transparency. The fact that the term of the BCRP Board of Directors coincides with those of the executive and Congress still raises concerns. The Ministry of Economy and Finance (MEF) is planning to propose to Congress a bill to change the terms of Board members -- and to prohibit the holding of parallel jobs. The members of the new Board do not have similar high-profile parallel jobs in other organisations (e.g. state-owned financial institutions) as the previous Board did, which is a positive development.

Some commentators criticise the BCRP for continuing to operate a 'dirty float' of the Peruvian sol rather than allowing market forces alone to determine its value. The BCRP has stated that establishing a free-floating currency is a long-term objective, but emphasises that the country's history of managed flotation means that the process needs to be managed carefully, and that change must be gradual. The BCRP has held this position for several years, and argues that it has arrived at it independently, rather than as a result of political pressure. Still, allowing a freer float would provide a clearer demonstration of BCRP independence to outside observers than the current exchange rate policy does. More generally, commentators expect the new BCRP governor to take a more critical approach towards the government in dialogue over policy formulation than his predecessor, and to steer a neo-liberal course.

The BCRP has successfully reduced inflation this year. Until 2005, the target for the rate of inflation was measured on an end-of-year basis. This was consistent with practices of other central banks that had successfully reduced inflation from high levels to their medium-term inflation targets. Starting this year, with inflation in Peru now low, the BCRP has adopted a continuous, monthly year-on-year inflation target. This enhances transparency.

Gradual improvements have also taken place in 2006 in the BCRP's communications. For example, the BCRP has established on its website an online Q&A service on statistics and methodology. Some commentators argue that monetary transparency would be further enhanced if the BCRP were to make publicly available the minutes and voting records of board meetings. However, the central bank does release a statement once a month on monetary policy decisions. Over the last two years there have been improvements in the detail with which these decisions are reported, and as a result some commentators judge that little additional information would be obtained by releasing the minutes as well.

Peru's overall score is unchanged from last year.

1. CLARITY OF ROLES, RESPONSIBILITIES AND OBJECTIVES OF CENTRAL BANKS

●●●● Compliance in progress

The objectives and institutional framework of monetary policy

The 1993 Constitution of Peru clearly defines the objectives of the Central Reserve Bank of Peru (*Banco Central de Reserva del Perú* -- BCRP) and provides it with the necessary policy instruments to meet them.¹ It also establishes the independence of the BCRP from the different branches of the State.² This constitutional framework is elaborated further in the Organic Law of the BCRP (LOBCRP, No. 26123).³

Central bank objectives and responsibilities

Both the constitution and the LOBCRP establish that the sole objective of the BCRP is to maintain price stability. The BCRP works under an inflation-targeting framework to attain its objective, using a reference interest rate for the overnight inter-bank lending market, and open market operations aimed at maintaining this short-term interest rate at the announced reference level.⁴

The BCRP is also responsible for endorsing the correct functioning of the financial markets, and conducting foreign exchange operations to maintain an adequate level of net international reserves. The BCRP is prohibited by Article 64 of the Constitution from introducing limits to foreign currency holdings or restrictions on international capital flows.

Operational autonomy

The BCRP is regarded as one of the most professional institutions in the country and has a tradition of successfully asserting its independence on many issues. Article 84 of the constitution and Article 1 of the LOBCRP provide for the complete financial and operational autonomy of the central bank. However, the fact that the term of the Board of Directors coincides with those of the executive and Congress still raises concerns. The Ministry of Economy and Finance (MEF) is planning to propose to Congress a bill to change the terms of BCRP Board members and to prohibit their holding of parallel jobs. The BCRP leadership is reluctant to lend its support, fearing that during its passage through Congress any bill could be amended in unforeseen ways, to the detriment of the BCRP. Moreover, passing such a law is not high on the government's agenda, as the issues involved do not arouse much attention in the general public.⁵

At the practical level, the new members of the Board of Directors do not have similar high-profile parallel jobs in other organisations (e.g. state-owned financial institutions) as the previous Board did. As stipulated in the LOBCRP, four members of the new Board were nominated by President García (new BCRP Governor Julio Velarde, Carlos Raffo, José Chlimper and José Valderrama). The remaining three members (Alfonso López Chau, Abel Salinas and Beatriz Boza) of the seven-member Board were nominated by Congress on November 23 following a delay of four months, which generated considerable uncertainty, although it did not impede the functioning of the BCRP and had only a transitory effect on transparency of items related to the Board of Directors. Velarde is likely to command majority support from the Board on most issues, and he is expected to steer a more independent and market-oriented course than the previous BCRP Board.⁶

Some commentators criticise the BCRP for continuing to operate a 'dirty float' of the Peruvian sol rather than allowing market forces alone to determine its value. The BCRP has stated that establishing a free-floating currency is a long-term objective, but emphasises that the country's history of managed flotation means that the process needs to be managed carefully, and that change must be gradual. The BCRP has held this position for several years, and argues that it has arrived at it independently, rather than as a result of political pressure. Still, allowing a freer float

would provide a clearer demonstration of BCRP independence to outside observers than the current exchange rate policy does.⁷

Institutional relationship between monetary and fiscal operations

Lending to government

The relationship between fiscal and monetary operations is clearly defined in the constitution and the LOBCRP. In addition to the BCRP's institutional independence, both laws rule out any loans to the treasury or to state-owned enterprises, as well as prohibiting the issuance of guarantees. Article 61 of the LOBCRP limits purchases of government bonds in the secondary bond market to 5% of the monetary base registered at the end of the previous fiscal year.⁸

Central bank involvement in the rest of the economy

Article 84 of the LOBCRP establishes that the BCRP may not buy shares, the only exceptions being those issued by international financial organisations, or those necessary for refinancing operations of commercial financial institutions. Moreover, the BCRP cannot own (either directly or indirectly) capital of commercial, industrial or any other kind of enterprises. There have been no changes to the legal framework and the law has been fully observed during the past twelve months.

In addition, Article 62 of the LOBCRP authorises the BCRP to perform open market operations with its own securities and with first-class securities issued by third parties. Finally, the BCRP website includes the text of the Procurement Law and displays adequate information about procurement operations.

Central bank profit allocation

The BCRP determines profits for a given fiscal exercise on an annual basis. Article 92 of the LOBCRP allocates 25% of its profits to the treasury, with the remaining 75% allocated to a reserve fund that may be used to cover future losses of the BCRP. Whenever the reserve fund cannot make up for the annual losses, Article 93 determines that the treasury will issue government bonds (equivalent to the remaining loss after the reserve fund has been exhausted) to finance the central bank. However, the law does not explicitly determine the maturity and debt servicing terms of these securities.

Agency roles performed by the central bank on behalf of the government

There have been no changes to laws and regulations concerning the agency roles performed by the BCRP on behalf of the government. These roles are clearly defined and transparently conducted. The BCRP is restricted to representing the government at international financial organisations and serving as a deposit agency for government foreign exchange reserves and the treasury account.⁹ Some commentators have said that the BCRP's role as fiscal agent and adviser to the government -- for example, during the formulation of the Multi-Annual Macroeconomic Framework (*Marco Macroeconómico Multianual* -- MMM) -- is perhaps too limited. In the past the BCRP has preferred to avoid significant confrontation with the executive over the MMM. However, commentators expect the new BCRP President to take a more critical approach towards the government in dialogue over policy formulation when it reports on the next MMM in May 2007.¹⁰

2. OPEN PROCESS FOR FORMULATING AND REPORTING MONETARY POLICY DECISIONS

●●●● Compliance in progress

The framework, instruments and targets of monetary policy

Framework and monetary targets

In 2002 the BCRP introduced the changes required to adopt an inflation-targeting framework to fulfil its monetary policy objective. This framework has enhanced the effectiveness of BCRP liquidity interventions and has increased monetary policy transparency. The BCRP has consistently disseminated additional information on how its inflation targets are met, and how the monetary transmission mechanism works.¹¹

Until 2005, the target for the rate of inflation was measured on an end-of-year basis. This was consistent with practices of other central banks that had successfully reduced inflation from high levels to their medium-term inflation targets. Starting this year, with inflation in Peru now low, the BCRP has adopted a continuous, monthly year-on-year inflation target.¹²

Monetary instruments

The BCRP's instrument is a reference short-term interest rate (for the overnight inter-bank lending market), which affects the entire array of economic variables that determine the rate of inflation. Changes in monetary policy are carried out through variations in the reference rate. In order to induce the market to align with the reference rate, the BCRP carries out open market operations, operates the discount window and provides overnight deposit facilities for commercial banks.¹³

In addition, the central bank can intervene in the foreign exchange market to reduce the exchange rate's short-term volatility. Although the BCRP is fully committed to keeping a floating exchange rate regime, a 'dirty float' continues to be preferred.¹⁴ Some commentators stressed that because Peru is a highly dollarised economy and dollar inflows (from workers' remittances, exports, and foreign investment) have been increasing, the BCRP has carried out substantial sterilised interventions (using short-term Certificates of Deposit). Indeed, given the time lag needed to change monetary conditions through interest rates and because the banking system has yet to develop broader financial services in the country, the financial sector takes the foreign exchange rate as the main signal of short- to medium-term inflationary pressures.¹⁵

The monetary policy-making body

The Board of Directors of the BCRP is the monetary policy-making body. The authority of the board and its composition is set out in the constitution and the LOBCRP. There have been no changes in the legal framework during the past twelve months concerning the allocation of monetary policy responsibilities.

Monetary board

The Board of Directors consists of seven members, four appointed by the executive and three by Congress. The executive chooses the president of the board, subject to congressional ratification. This appointment system has

raised concerns about the BCRP's operational independence in practice. Commentators emphasised that these problems mostly stem from the fact that the tenure of board directors coincides with the executive and legislative terms. Although there are adequate restrictions on the ability to remove board members (which protect the independence of board directors), the fact that all the appointments match the political cycle can undermine the capabilities and independence of the position of the BCRP president. In this context, commentators have stated that it would be best for the term of board directors not to coincide with that of the president of Peru.

Board members are allowed to hold concurrent positions in other government agencies and in other banks. There are some concerns that this might lead to conflicting interests within the BCRP board. In previous years board members have included the vice-minister of finance and presidents of other state banks.¹⁶ This was not seen by commentators to be of much concern given the integrity of the board members in question, though the ability to hold such parallel positions could, in theory, cause certain conflicts of interest for less professional board members.¹⁷ Central bank officials have stressed that all directors holding external positions have to comply with the obligations and responsibilities established in Articles 20-21 of the LOBCRP while exercising their duties as members of the BCRP board. This makes conflicts of interest arising from directors holding parallel positions less likely.¹⁸

Advance meeting schedule

Article 25 of the LOBCRP mandates that board meetings must be held at least twice a month. An advance meeting schedule of sessions in which the board will approve the monthly monetary programme is made available in the first *Informative Note on the Monetary Program* of each year.¹⁹

Public statements on monetary policy

The *Inflation Report*, published three times a year, explains overall changes to the monetary programme.²⁰ The *Informative Note on the Monetary Program*, released by the BCRP on the first Thursday of each month, details changes in monetary policy, the reference rate and interest rates for operations with the BCRP.²¹

Periodic publications

The BCRP publishes eleven separate periodic publications in Spanish.²² There are two regular periodic publications in English -- the Annual Report and the Weekly Report -- as well as Working Papers (of which there have been ten in 2006 and eight in 2005) and Special Reports (although the last one produced was in 2004).²³ The Annual Report includes an evaluation of monetary policy and BCRP targets during the previous year, the BCRP balance sheet and an overview of the monetary programme for the following year. The Weekly Report includes statistical tables of net international reserves, exchange rates and inflation, the trade balance, public sector accounts, external accounts, external debt, and monetary accounts.²⁴

Public hearings

The BCRP has established on its website an online Q&A service on statistics and methodology.²⁵ In addition, BCRP directors and senior staff provide information through seminars and scheduled conferences aimed at raising public awareness about the BCRP and its functions. Presentations given at these seminars and conferences are available on the BCRP website, mostly in Spanish.²⁶

Regulations on data reporting by financial institutions to the central bank

Article 74 of the LOBCRP allows the BCRP to request information from commercial banks and other financial institutions, although a detailed list of which documents the BCRP can request is not explicitly incorporated in the law. Nevertheless, financial institutions submit their balance sheets on a weekly basis, along with information on foreign currency debts. Information requirements can be found on the BCRP website's *Circulares Vigentes* section.²⁷

3. PUBLIC AVAILABILITY OF INFORMATION ON MONETARY POLICY

●●●●● Full compliance

Release of central bank data

As part of its commitment to the IMF Special Data Dissemination Standard (SDDS), the BCRP continues to publish data that comply with SDDS coverage, periodicity, and timeliness requirements. The overall quality of the data is adequate, and coverage is extensive. The statistics are regularly updated and usually available both in English and Spanish. The BCRP publishes annual, quarterly, monthly, weekly and daily data on monetary aggregates, interest rates and reserves. The BCRP also releases a quarterly report on its income, expenses, and budgetary execution. There is a detailed advance release calendar for weekly, monthly and quarterly macroeconomic statistics available on the BCRP website.²⁸

The central bank balance sheet

The BCRP publishes on its website annual and monthly reports that include its balance sheet. Monthly reports have a lag of more than two months. In general, the BCRP uses a close approximation to International Accounting Standards (IAS) for its balance sheet; the *Annual Report 2004* includes a note (which is part of the audited financial statements) that explains the main differences between the BCRP accounting practices and IAS.

Lender of last resort

Emergency lending rules are set out in Articles 58-59 of the LOBCRP. The BCRP may perform lending operations to private financial institutions facing financial distress, when guaranteed with first-class securities and for periods of no more than 30 days. The BCRP may provide additional 30-day loans subject to the limits set out in Article 95, Section 2(c) of Law No. 27102 which modifies several articles of the Banking Law (No. 26702 -- *Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la Superintendencia de Banca y Seguros*). The BCRP is forbidden to supply credits to the government or state-owned enterprises outside the scope of the provisions in Article 61 of the LOBCRP. Lender of last resort operations are included in the *Annual Report*, and are disclosed in press notes if the BCRP board considers that the information will not disrupt financial stability.

Public information services

The BCRP has comprehensive information services, most of them available through its website. Information on monetary aggregates and foreign currency reserves is available on a daily and weekly basis. Macroeconomic data are released on a monthly and quarterly basis, as well as in ad hoc Informative Notes, which are released several times each week.²⁹

The central bank also makes available eleven separate publications in Spanish and four in English, with varying periodicities.³⁰ The BCRP website contains presentations and speeches made by its senior officials. Texts including the LOBCRP, statutes, resolutions, memos, and legal norms are also available online, as well as regular press releases.

Nevertheless, commentators said that monetary policy transparency would be enhanced if the BCRP were to make publicly available the minutes and voting records of board meetings, even if with a time lag. Some commentators suggest that this will be proposed in a bill in 2007. The central bank does release a statement once a month on monetary policy decisions, which are taken by the board on the first Thursday of the month. Over the last two years there have been improvements in the detail with which monetary policy decisions are reported, and as a result some commentators judge that it is no longer so important to release the minutes as well.³¹

4. ACCOUNTABILITY AND ASSURANCES OF INTEGRITY BY THE CENTRAL BANK

●●●● Compliance in progress

Accountability before a designated public authority

The BCRP is required to report to Congress on the conduct of monetary policy, policy objectives, and performance in achieving those objectives. Transparency practices include BCRP accountability regarding any deviation from monetary policy commitments. Its financial statements are subject to oversight by the Superintendence of Banking and Insurance (SBS). The central bank is also subject to external oversight by the Comptroller General.

Financial statement

Audited financial statement

The BCRP has its financial statements audited independently. For fiscal year 2004, Caipo y Asociados (a member of KPMG International) was the external auditor, and for 2005 and 2006 Deloitte was selected. The BCRP switches external auditor every two years.³² Monthly and annual balance sheets and the BCRP financial statements are also available on the website.

External and internal audit

Article 87 of the LOBCRP establishes that the Chief of the Internal Control Unit (ICU) is responsible for the ex-post control of the central bank's budget and net worth accounting. The ICU must report to the BCRP board and the Comptroller General (the office exercising external supervision) on all matters related to auditing the operations of funds and securities. Further, the ICU must submit a written report on the financial statements for the previous financial year to the BCRP board at its last meeting in March. Copies of this report are then sent to the Comptroller General and the SBS. After the approval from the central bank board, the ICU carries out an audit and certifies the accuracy of the annual balance sheet and the profit/loss statement, which are subsequently published. Commentators noted that there are no sanctions for the central bank not complying with its stated roles, responsibilities, and functions (though currently the central bank is complying well).³³

Conduct of officials

The conduct standards for BCRP officials are outlined in Article 13 of the LOBCRP. The law establishes that, before assuming office and within thirty days of leaving, all directors must make a sworn statement of their assets and income. The BCRP also publishes internal work regulations on its website.

Information on the legal protections for BCRP officials is publicly disclosed. Article 22 of the LOBCRP stipulates that the filing of criminal charges against directors for acts performed or omissions incurred (while in office or subsequently) requires the enactment of impeachment proceedings for high officials, as set out in the constitution.

INTERVIEWS

Representatives of *Oxford Analytica* interviewed the following individuals during a visit to Peru between 23 and 27 October 2006. One additional interview was conducted in Washington, DC:

Ministry of Economy and Finance

23 October 2006

María Cecilia Deza	Manager	Economic and Social Affairs Dept
Sofía Calderón	Senior Analyst	Economic and Social Affairs Dept
Carmen Astor	Senior Analyst	Economic and Social Affairs Dept
Patricia Camacho	Senior Analyst	Economic and Social Affairs Dept
José Villena	Senior Analyst	Economic and Social Affairs Dept

Central Reserve Bank of Peru (BCRP)

25 October 2006

Jorge Estrella Viladegut	Deputy Director of Economic Policy	Economic Studies Department
Fernando Vásquez Sanabria	Deputy Director of Monetary Policy	Economic Studies Department
Adrián Armas	Deputy Manager	Monetary Division

ADDITIONAL INTERVIEWS

24 October 2006

Eduardo Morón	Director of Economics	Centre for Research Universidad del Pacífico
---------------	-----------------------	---

26 October 2006

Armando Mendoza Nava	Economic Advisor	Congress
----------------------	------------------	----------

27 October 2006

Humberto Campodónico	Director	DESCO (Centre for the Study and Promotion of Development)
Guillermo Díaz Gazani	Senior Manager	Scotiabank

15 November 2006 (Note: In the endnotes below, this interview is referred to as one of the ‘Interviews in Peru, 23-27 October 2006’).

Gilbert Terrier	Assistant Director, Pacific Division	International Monetary Fund
-----------------	--------------------------------------	-----------------------------

NOTES

-
- ¹ Central Reserve Bank of Peru (Banco Central de Reserva del Perú): www.bcrp.gob.pe.
- ² The 1993 Constitution of Peru, Title III of Economic Institutions: www.leyes.congreso.gob.pe
- ³ See www.bcrp.gob.pe/bcr/index.php (in Spanish only, under ‘Sobre el BCRP’, then ‘Normas Legales’)
- ⁴ Interviews in Peru, 23-27 October 2006.
- ⁵ Interviews in Peru 23-27 October 2006.
- ⁶ Interviews in Peru, 23-27 October 2006.
- ⁷ Interviews in Peru, 23-27 October 2006.
- ⁸ See www.bcrp.gob.pe/bcr/index.php (in Spanish only, under ‘Sobre el BCRP’, then ‘Normas Legales’)
- ⁹ Articles 61 and 70 of the LOBCRP.
- ¹⁰ Interviews in Peru, 17-19 November 2004 and 23-27 October 2006.
- ¹¹ Interviews in Peru, 18-20 November 2003. A version of the core macroeconomic model for inflation forecasting was published in the BCRP Economic Research Journal (*Revista de Estudios Económicos*, in Spanish only), thus contributing to the dissemination of information on how the monetary transmission mechanism works.
- ¹² Interviews in Peru, 23-27 October 2006.
- ¹³ Interviews in Peru, 23-27 October 2006.
- ¹⁴ Interviews in Peru, 23-27 October 2006.
- ¹⁵ Interviews in Peru, 17-19 November 2004.
- ¹⁶ Kurt Burneo was also president of the *Banco de la Nación* and Daniel Schydrowsky’s was President of Cofide (*Corporación Financiero de Desarrollo*) -- a development bank. Interviews in Peru, 19-21 October 2005.
- ¹⁷ For example, they had access to privileged knowledge, such as about the timing of interest rate changes. Interviews in Peru, 19-21 October 2005.
- ¹⁸ Interviews in Peru, 19-21 October 2005.
- ¹⁹ For example, see the Informative Note on the Monetary Program of January 2006: www.bcrp.gob.pe/bcr/dmdocuments/Ingles/Comunicaciones/IN_0601.pdf
- ²⁰ See www.bcrp.gob.pe/bcr/ingles/index.php?option=com_content&task=view&id=381&Itemid=68
- ²¹ See www.bcrp.gob.pe/bcr/ingles/index.php?option=com_content&task=view&id=381&Itemid=68
- ²² See list of publications in Spanish at: www.bcrp.gob.pe/bcr/index.php?lang=es
- ²³ Working Papers in English are available at: www.bcrp.gob.pe/bcr/ingles/index.php?option=com_content&task=view&id=404&Itemid=104
- ²⁴ Annual Reports in English from 1998 to 2005 are available at: www.bcrp.gob.pe/bcr/ingles/index.php?option=com_content&task=view&id=394&Itemid=87
Weekly Reports in English are available at: www.bcrp.gob.pe/bcr/ingles/index.php?option=com_content&task=view&id=402&Itemid=90
- ²⁵ See www.bcrp.gob.pe/bcr/index.php?option=com_content&task=view§ionid=&id=349&Itemid=171&lang=es (in Spanish only)
- ²⁶ See www.bcrp.gob.pe/bcr/index.php?option=com_content&task=view&id=159&Itemid=234 (in Spanish only)
- ²⁷ See www.bcrp.gob.pe/bcr/index.php?option=com_content&task=view&id=123&Itemid=290 (in Spanish only)
- ²⁸ See www.bcrp.gob.pe/bcr/dmdocuments/Estadistica/Calendario2006.pdf (in Spanish only)
- ²⁹ See www.bcrp.gob.pe/bcr/ingles/index.php?option=com_content&task=view&id=377&Itemid=103
- ³⁰ See list of publications in Spanish at: www.bcrp.gob.pe/bcr/index.php?lang=es
- ³¹ Interviews in Peru, 19-21 October 2005 and 23-27 October 2006.
- ³² Interviews in Peru, 23-27 October 2006.
- ³³ Interviews in Peru, 19-21 October 2005.