

ANSSR: Economy Priorities and Progress Assessment Measures

Peru

Peru has been showing high growth rates since the beginning of the century, with the exception of the year 2009, when most of the effects from the worldwide financial crisis were felt. On average, since Q1 2004, Peru's GDP has been growing 6.9% year on year, around 3.3 points above the world's average.

As a result, poverty has been steadily declining, job creation has slightly surpassed labour force growth and many welfare indicators have improved. However, there are still many challenges:

- Rural poverty is about double the economy average
- In half the 1834 Peruvian districts, the poor are the majority
- Gaps in water, sanitation and electricity coverage, especially in rural areas
- A third of rural children are malnourished

While growth has spread welfare improvements across society, a large share of the population is still not included in the market dynamic, and need further assistance to improve their quality of life indicators. Thus, inclusive growth is the main objective for the present administration.

Towards 2016, the major objectives are:

- Poverty reduced to no more than 20% of the population
- Extreme poverty to no more than 5% of the population
- Cut in half of rural poverty
- Chronic children malnutrition should be below 10%

To achieve this, a series of programs and instruments have to be perfected and extended. Local governments need to be strengthened; they are the closest to the needs of their citizens. Despite this, cooperation between them and the economy social programs have not been always successful. New incentives to bolster their capacities and realign incentives to cooperate with the Central and Regional Governments are being tried.

Easing entrepreneurial initiatives is also an important part of our objectives. But the focus must not be just to help or protect small businesses, but to ease their formalisation process, and provide them with the tools to engage in the international trade dynamics (generated by the trade agreements signed so far).

Finally, support for people in extreme poverty is important to break the vicious circle of poverty. Many people in rural areas are disconnected from the market dynamics. Hence, the impulse provided by growth in the market economy is at most indirect.

Direct transfers, conditioned on the fulfillment of actions that support the human capital of their children (get them vaccinations, periodical health checks, ensuring that they assist to school, etc) have been proved useful, and the goal is to extend their reach to become an economy wide endeavor.

Other schemes and programs are still being developed, and we expect that throughout the objective period for the ANSSR program, Peru will continue to show its progress in these goals.

ANSSR Priorities

Promoting more open, well-functioning, transparent, and competitive markets																	
Priority:	Municipal Modernization Program																
Progress assessed based on:	<p>Local governments are the most directly involved with the community. However, this advantage does not result in better services due to:</p> <ul style="list-style-type: none"> • Poor management of tax collection and transparency • Barriers to start a business (50% are in the local level) • Barriers to construction permits (42% are in the local level) <p>Improving these shortcomings is important to create confidence among citizens and to foster local business creation.</p> <table border="1"> <thead> <tr> <th colspan="2">Goals / Indicators</th> </tr> </thead> <tbody> <tr> <td>Local tax collection</td> <td> <ul style="list-style-type: none"> • Transparent information. Full reports are to be provided to the Ministry of Economy and Finance and through electronic portals (percentage of properly presented reports) • Use of electronic means for payment, payment registries and other services to citizens (percentage of local governments implementing the initiative) • To reduce formal complaints before the fiscal tribunal, regarding property taxes (percentage reduction of complaints) </td> </tr> <tr> <td>Ease of Doing Business</td> <td> <ul style="list-style-type: none"> • Transparency, report to the Ministry of Economy and Finance and through web portal for citizens • To not exceed 15 days for granting opening licenses • To provide information about the stage of the procedure through the municipality web portal. • The three goals above are judged by the % of local governments in compliance with the goals. • To implement specific, more agile procedures for sanitation works and related (guidelines implemented) </td> </tr> <tr> <td>Disaster prevention</td> <td> <ul style="list-style-type: none"> • To identify vulnerable areas • To improve sanitation, management of solid residuals </td> </tr> </tbody> </table> <p>Incentives are provided through technical assistance and financial resource transfers that are triggered by the degree of accomplishment in reaching the goals.</p>		Goals / Indicators		Local tax collection	<ul style="list-style-type: none"> • Transparent information. Full reports are to be provided to the Ministry of Economy and Finance and through electronic portals (percentage of properly presented reports) • Use of electronic means for payment, payment registries and other services to citizens (percentage of local governments implementing the initiative) • To reduce formal complaints before the fiscal tribunal, regarding property taxes (percentage reduction of complaints) 	Ease of Doing Business	<ul style="list-style-type: none"> • Transparency, report to the Ministry of Economy and Finance and through web portal for citizens • To not exceed 15 days for granting opening licenses • To provide information about the stage of the procedure through the municipality web portal. • The three goals above are judged by the % of local governments in compliance with the goals. • To implement specific, more agile procedures for sanitation works and related (guidelines implemented) 	Disaster prevention	<ul style="list-style-type: none"> • To identify vulnerable areas • To improve sanitation, management of solid residuals 							
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Promoting sustained SME development and enhanced opportunities for women and vulnerable populations

Priority:	To use electronic means to ease access to trade agreements information for SMEs
Progress assessed based on:	<p>Currently, there is information about trade agreements and “business intelligence” available on web portals, particularly, in those belonging to the Foreign Trade and Tourism Ministry. However, improvement is looked for in key areas:</p> <ul style="list-style-type: none"> • More granular information (going into more detail about specific products, without knowing the tariff codes) • Improved business intelligence tools (may include provider and buyers databases) • Web accessible information, integrated with current efforts made by PROMPERU (Peru’s Promotion Commission for Exports and Tourism) <p>To assess improvement, first indicator is implementation of the portal. Then the number of visits and number of inquiries attended by the portal.</p>

Promoting effective and fiscally sustainable social safety net programs

Priority:	To improve living conditions of those in extreme poverty through matching grants (“Juntos”)	
Progress assessed based on:	<p>Bimonthly, direct transfers of PEN 200 (US\$73) for households:</p> <ul style="list-style-type: none"> • In extreme poverty • With children under 14 and pregnant women • Transfers are conditional on the children attending school and receiving vaccines and other health services. <p>The beneficiaries are targeted using a focalization system and verifying the poverty and other conditions.</p> <p>Current coverage is of 646 districts (mainly rural). Progressive expansion over three stages:</p> <ul style="list-style-type: none"> • Undercovered areas in currently included districts • Further districts that present more than 50% poverty rate and more than 30% chronic malnutrition among their population • Rest of districts with more than 50% poverty rates 	
	2010	2016
Number of districts covered	646	1077
Households covered (thousands)	472	822
Beneficiaries (thousands)	1 886	3 288
Cost (Millions)	PEN 613 (US\$217)	PEN 1 090 (US\$398)

Priority:	Incentives Program to Improve Municipal Management	
Progress assessed based on:	Local governments are the most directly involved with the community. However, this advantage does not result in better services due to:	
	<ul style="list-style-type: none"> • Fragile local finances (in average, only 10% of total revenue comes from direct tax collection). • Lack of capacities, both technical and financial that makes them ill suited to provide basic infrastructure and services. Lack of physical and human capital. • Lack of incentives to cooperate with social programs 	
	Goals / Indicators	
	Fiscal sustainability	To improve local tax collection over a baseline related to the previous five year average
	Investment in infrastructure	Improvement in the capabilities to formulate and execute public investment projects (number of projects approved)
Investment in human capital	<ul style="list-style-type: none"> • Percentage of newborns with Unique Identity Code (CUI) • Formulate and execute projects within the Articulated Nutritional Program (PAN) • New affiliations to health programs (SIS) • Cooperate with the Household Focalization System (SISFOH), which is aimed to better identify who requires social programs' help the most. 	
The program works through compensatory transfers (prioritising districts with higher poverty rates) and goal oriented transfers (conditional on achieving yearly goals). The goals are defined both on the needs of the district and the potential for improvement. The program also provides technical assistance, oriented to improve the managerial skills of the personnel working in these districts.		