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Peru: Poverty Does Not Diminish And Social Spending Does Not Bring Relief

by LADB Staff
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With poverty rising slightly in 2009, the Ministerio de Economia y Finanzas (MEF) acknowledged that it would not reach its goal of reducing the incidence of poverty to 30% of the population by 2011. Economy and Finance Minister Mercedes Araoz explained in February that the international financial crisis during the past year had made it impossible to meet the poverty-reduction target set by the administration of President Alan Garcia when it took office in 2006. "The level of poverty must be reduced from the 50% that existed when the government took over to 30% by 2011, and, specifically in the rural areas, it must be reduced from 70% to 45%. Overall public investment will have to reach 30 billion nuevos soles (US$10.6 billion) in those five years to transform the human face of Peru," said President Garcia upon taking office. "Chronic malnutrition, resulting from not having enough to eat and from a lack of water, electricity, and food, is currently 25% and will be reduced to 16% by 2011." With 15 months remaining in Garcia's presidency, the MEF changed the target. "We have achieved [a poverty rate of] about 36% in 2008, and while we still do not have figures for 2009, we should reach a poverty level of about 33% by 2011," said Araoz in a Feb. 12 presentation to Congress. "We are doing everything possible to meet that target." Government changes poverty goal Federico Arnillas, president of the Mesa de la Concertacion de la Lucha Contra la Pobreza (MCLCP), said in March that one impact of Peru's almost flat economic growth rate in 2009 (down from 9.89% in 2008 to 1.12% in 2009) would be an intractable poverty level. The MCLCP was created nine years ago with the participation of state institutions and civil society to adopt agreements and coordinate actions to effectively fight poverty in each region, department, province, and district in the country. Arnillas told Lima daily La Republica on March 7 that, in a recent meeting, MEF officials had projected a slight increase from 36.2% to 36.3% in the poverty level in 2009. This percentage means 10 million Peruvians are living below the poverty line. A communiqué from the Instituto de Economia y Desarrollo Empresarial (IEDEP) of the Lima Camara de Comercio gives even more disheartening figures. It estimates that the poverty level might have risen to 37.8% in 2009, meaning "the number of people living in poverty would have increased by more than 460,000." The Instituto Nacional de Estadistica e Informatica (INEI) will release the official figures in May. "Those living in extreme poverty [3.6 million Peruvians in 2008] are unable to meet their food needs. Those living in poverty are unable to cover other necessities such as transportation. But there is also caloric poverty (CALP), those who lack the minimum calorie intake. The caloric consumption of one-third of the Peruvian population is inadequate," said Enrique Vazquez, vice rector of the Universidad del Pacifico, in a Jan. 18 interview in the newspaper El Comercio. Economist Pedro Francke told La Republica, "Given that the population has little income and the areas that generate the most employment have not produced much [recently], the government has had to change the poverty-reduction target." "Activity in the mining, agroindustry, and textile sectors dropped, and they quit hiring workers, with the crisis affecting unskilled workers," Vazquez told El Comercio. Francke estimates that raising the poverty-reduction goal by three percentage points means that between 800,000 and 900,000 Peruvians will remain in poverty. For every three percentage points in GDP growth, poverty drops by 1%, Carlos Aramburu, rural sociology professor...
at the Pontificia Universidad Catolica del Peru (PUCP), told La Republica. For Aramburu, a 3% growth rate this year would be a triumph. The Camara de Comercio said, "To achieve the target of a 30% poverty rate in 2011 would require the economy to grow by an average of 9.2% between 2009 and 2011, which is significantly above the projections." Inadequate social programs Arnillas doubted that the government was doing everything it could to reduce poverty. "There is always room for improvement," he said in his El Comercio interview. Arnillas said the government could have further strengthened education, infrastructure, and health programs, for which it budgeted 584 million nuevos soles (US$206 million), not all of which has been spent, and allotted more resources to disaster prevention. "That would have created employment, stimulated demand, sustained consumption and employment in the poorest sectors of society, and avoided the loss of physical assets," said Arnillas. As if that were not enough, the MCLCP, presided by Arnillas, has had its budget reduced by 56% for this year. This reduction will affect organizing mesas (working groups) in provinces and districts, such as the 579 now functioning throughout the country. Minister Araoz pointed out that the government's 26 social programs are undergoing an evaluation and that 12 will be prioritized for 2010, which will make reducing extreme poverty possible. Among the social programs are Juntos, which provides mothers 100 soles a month to spend on food, health, and education; Vaso de Leche; Agua para Todos; soup kitchens; and the Sistema Integral de Salud. "Our programs are getting results because in some regions [like Huancavelica], we have reduced infant malnutrition by nine percentage points, but it is still not enough," said Araoz. Official statistics indicate that nationally infant malnutrition dropped from 22.6% in 2007 to 18.3% in 2009. Vazquez questioned the data because it excludes the effects of the crisis, and 2009 was a year of crisis. "Unfortunately, social programs do not guarantee poverty reduction because of existing problems of inefficiency, insufficient focalization, and weak design and management," Cesar Penaranda, IEDEP director, told La Primera. For some analysts, conditional cash transfer (CCT) programs such as Juntos increase school attendance and access to health centers, but that does not translate into improvements in education or nutrition. Educational quality remains low, and many rural health centers remain undersupplied or in precarious conditions. In Trapecio Andino departments, such as Huancavelica, Apurimac, and Ayacucho, 50% of the population live in extreme poverty. "The Juntos program does not have more impact because the Ministerio de Salud has not been able to invest in health infrastructure or in doctors and equipment. The Ministerio de Educacion has also failed to do what it should, build classrooms and send teachers," said Vazquez. Two months after this year's budget went into effect, the Programa Articulado Nacional (PAN), whose objective is to improve access to food and nutrition for children under three years of age, and the Asistencia Alimentaria program, both key to alleviating poverty, had spent nothing. Other critics of the social programs say they are not interconnected, they do not use a unified list of beneficiaries, they to not reach all the families that they should, and they target small groups. But the main criticism is that anti-poverty plans, although necessary, are insufficient by themselves for reducing poverty and should be complemented with social policies with universal coverage. As PUCP professor Javier Iguiniz points out in an interview with El Comercio, "What has existed in Peru for many years is a very large breach between those who can access quality education, good health, or protection for retirement and those who cannot. There is a lack of social programs that improve equality among all."

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