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Outgoing Peruvian President Alan García Leaves Difficult Legacy

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A slowing economy, numerous social conflicts, a large number of irregular contracts, millions of dollars in state debt—these are some of the pearls that the Alianza Popular Revolucionaria Americana (APRA) government of Alan García leaves President-elect Ollanta Humala, of Gana Perú, who took office on July 28.

"It is important that people knows that he will take power, that Ollanta Humala will assume the presidency, just as the economy is decelerating," Félix Jiménez, head of Gana Perú’s government plan and member of the party's technical team. "I would understand that once Ollanta Humala assumes the presidency on July 28, he and his good team with government experience will take adequate steps to reverse this downward trend."

On July 11, Marisol Espinoza, general coordinator of the transition committee for Gana Perú, accompanied by economists Félix Jiménez, Kurt Burneo, and Oscar Dancourt, submitted the committee's first economic report, which explains in detail that they are taking over an economically decelerating country.

"There is a marked deceleration. Before, annual growth was 10%, and now it is 4% to 5%. Construction, nonprimary manufacturing, and domestic cement consumption have dropped....This first report is prepared with figures from the Banco Central de Reserva (BCR)," said Dancourt, former BCR director.

Burneo indicated that the slowdown is the result of the García administration's economic toing and froing, in approving in March and rescinding in June emergency decrees such as 011 and 012, to reduce public investment and public spending, while at the same time reducing by one percentage point the sales tax (Impuesto General a las Ventas, IGV). The government spent only 34% of what was budgeted for public investment.

These measures resulted in a lower growth rate, less tax revenue, less general economic financing, and lower employment. Burneo explained that the one-percentage-point reduction in the IGV means a loss of US$2 billion soles (US$735 million), adding that this was "a bad decision by the outgoing administration that will complicate things for the new administration."

Espinoza, the first vice president-elect, also said that, during the past year, 40,000 people have been added to the state payroll, which puts strong pressure on the treasury. Eighty percent of the state's expenses got to paying state payrolls.

There has also been last-minute hiring, to the point of creating jobs that do not exist in the agencies' organizational charts, said Espinoza, for whom all this "represents a boycott against the incoming government, in the sense that they are leaving APRA militants in jobs where important government decisions are made."
The Humala government will also inherit numerous social conflicts. In 2006, García took office with 82 active social conflicts; today, he leaves office with 220, according to the Defensoría del Pueblo.

For Alicia Abanto, head of the Defensoría's indigenous-peoples program, what is lacking is the political will to adopt a conflict-prevention policy; the government only reacts when a conflict explodes. The majority of the conflicts, which have claimed 103 lives in five years, have been socioenvironmental; 6% are related to mining activities and 18% to oil and gas exploitation (NotiSur, Dec. 12, 2008) and (May 21, 2010).

Abanto pointed out the importance of the requirement for prior consultation of the indigenous peoples, which has still not been signed into law by García, for whom the indigenous communities are keeping their people in poverty. The campesino community "is an institution that for 500 years has kept the population in poverty," García said in an interview with the daily.

**Debts and irregularities**

García is also leaving the health sector in a critical state. Espinoza indicated that Peru's health care (social security) program is completely encumbered for the next 15 years because of a series of written contracts and other debts, which compromise the health of millions of Peruvians. Signed contracts obligate the state for a minimum of 671 million soles (US$247 million) annually for the next 15 years.

During the five-year Aprista government, 36 hospitals have been opened throughout the country. But besides providing ineffective treatment, many of them are "phantoms," as they lack supplies, medical instruments, and sufficient medicine, and they have no budgets.

In his last month in office, García launched a rash of inaugurations of public works such as hospitals, schools, potable-water installations, many of them as yet unfinished. Among the projects, Lima's new electric train, the national theater, and the modernization of the national stadium stand out—the latter at a cost of 217 million soles (US$80 million). Thirteen of the 15 new public universities approved in the last year and a half have no budget or facilities, taking infrastructure, resources, and professors from existing universities and institutions.

On July 22, the Web portal of the office of the presidency described 151,000 completed works with an investment of 86 billion soles (US$31.6 billion). Despite the frenzied public-works inaugurations in his last month in office, García is leaving with a 62% disapproval rating, according to a poll by the Pontificia Universidad Católica of Peru (PUCP).

The difficult legacy that García leaves behind will not compromise or put at risk the fulfillment of Gana Perú's campaign promises, said first vice president-elect Espinoza, adding that the new administration will find the means to carry out its program.

Engineer Salomón Lerner Ghitis, campaign head of Gana Perú and technical secretary in the transition, agrees with Espinoza. "We have to follow through on all the [social] programs, and the experts will have to look for the ways to do that and apply a term that has not been used much recently, which is solidarity," said Lerner in an interview with.

"It should be a call for the solidarity of those who have more, those who produce more, to help fulfill the commitment to social inclusion," added Lerner, who will be Ollanta's prime minister.