



ECONOMIC GROWTH

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Job creation and poverty reduction in Peru's impoverished Andean highlands through developing local products better targeted to the national and global marketplace. Pictured above, USAID-supported artisans participating in Santa Fe Art Folk Market, July 2009.

Partners: Presidency of the Council of Ministers (PCM), Ministries of Economy and Finance (MEF), Trade and Tourism (MINCETUR), Labor, and Women and Social Development (MIMDES), INDECOPI, Customs and National Competitive Council.

Implementing Partners: Nathan Associates, Chemonics International, Solidarity Center, and USDA/FAS.

Despite the global downturn and the uncertainty created by contentious national elections, Peru's economy grew by 6.9 percent in 2011, lower than the eight percent growth achieved in 2010, but a respectable rate given global and domestic circumstances. Trade liberalization through free trade agreements, such as the U.S.-Peru Trade Promotion Agreement (PTPA), has demonstrated its effectiveness as a powerful tool for economic growth. Exports in 2011 grew by 30 percent to \$46.3 billion over 2010's \$35.6 billion, which was 32 percent over the exports of 2009. Notwithstanding this impressive performance, a significant portion of the Peruvian public does not feel they have benefitted from the Government of Peru (GOP)'s policy agenda. For example, 31 percent of Peru's population (more than nine million people) still lives in poverty, and despite a more than 20 point decline since 2004, rural poverty is still at 61 percent, which is why many people in the Andes and Amazon regions feel left out. Peru's institutional structure still requires serious improvements to sustain growth.

During his first months in government, President Ollanta Humala has been able to rekindle the confidence of national and foreign private investment. Peru is expected to grow at around 6.0 percent in 2012. In addition to the GOP's new poverty alleviation programs, President Humala has set a goal to significantly reduce poverty and expand social inclusion. To this end, USAID has recently initiated coordination with the new Ministry of Social Development and Inclusion (MIDIS). For instance, in order to help "graduate" beneficiaries of social programs (e.g. JUNTOS, the conditional cash transfer program), USAID will work together with MIDIS in establishing areas in which USAID's programs will be implemented as pilots. This collaboration includes activities that focus on assisting municipalities to improve their services to micro businesses. USAID continues to provide training and support to municipalities to improve their ability to increase the formalization of micro and small businesses. Within the wider discussion of trade capacity building, the GOP and USAID are addressing key challenges such as upholding labor rights, enforcing intellectual property rights, and improving the business enabling environment in order to help micro, small and medium businesses (MSMEs) to take advantage of trade.

To complement its work increasing trade, USAID has also focused on improving the competitiveness of MSMEs, especially in marginalized regions, by linking them to more lucrative value chains with access to national and international markets. The Private Sector Competitiveness

and Poverty Reduction and Alleviation (PRA) activity strengthened MSMEs' capacities to increase productivity, improve product quality, and access new markets. To make the PRA model sustainable, USAID actively pursued public-private partnerships and engaged in policy dialogues to help national, regional, and local governments adopt market-led economic development initiatives. Beyond PRA's close collaboration with the private sector through Global Development Alliance agreements, the GOP's Sierra Exportadora (SIEX) program has signed a \$5.3 million/ three year cooperative agreement with PRA. It is expected that SIEX will take over PRA's activities in the future.

Technical support is provided to the Ministry of Labor to strengthen its Labor Inspection Service and improve the enforcement of labor laws and regulations. With the collaboration of the American Federation of Labor/ Congress of Industrial Organizations Solidarity Center, USAID supports participatory democracy, economic equity, and a legal framework that ensures that all Peruvian workers, especially those most vulnerable to exploitation, can exercise their fundamental rights. Training and information is provided to unions and workers to acquire the skills and knowledge necessary to productively advocate and negotiate to ensure the inclusive application of Peru's labor law.

The U.S. Department of Agriculture/Foreign Agricultural Service (USDA/ FAS) and USAID are helping the GOP develop and enforce regulations and standards as they relate to plant health, animal health, and food safety; conduct applied research in agricultural biotechnology and sustainable resource management; and develop and implement sector-specific strategies to maximize the benefits of PTPA.

To strengthen intellectual property rights enforcement, USAID supports the National Institute for the Defense of Competition and Intellectual Property Rights (INDECOPI) to implement the Patents Law and the Trademarks Law. Workshops were organized to increase the awareness of the importance of respecting intellectual property rights. Sixth and seventh grade students and school teachers received abundant information to promote a culture of respect towards IP rights. The training was carried out in schools in Chiclayo, Arequipa, Iquitos, Piura and Lima.

USAID assists the Ministry of Trade and Tourism (MINCETUR) in implementing its Foreign Trade Single Window (VUCE), which gathers import and export procedures in one system that can be accessed via internet. Private sector operators and public officials have attended a series of events to inform about the VUCE's operational capacities. Training was provided in eleven cities. Assistance is provided to Peruvian Customs to promote the utilization of the Anticipated Customs Procedures, which can reduce the time to clear products from customs to no more than 48 hours.



USAID/Peru recently signed Development Credit Authority loan guarantee agreements with CMAC Maynas and CRAC "Señor de Luren" to facilitate access to credit for former coca-growers.



USAID's Economic Growth Program supports product diversification and marketing for micro and small businesses through its "MYPE Competitiva" project. Pictured above Silvia Ballon, Peruvian entrepreneur, owns Silvia Uniforms, a successful company that has developed an export-quality collection of children's clothes designed for the U.S. market.