



## COUNTRY PROFILE

JUNE 2012



PHOTO: USAID/PRA

*Ms. Yolanda Fernandez Vilcahuaman from Casma, a town in the region of Huancavelica south of Lima, produces corn along with 51 other producers of natural food products. They participated in the food products fair ExpoAlimentaria last September, where they were able to display the fruits of their labor and connect with distributors and buyers. This was made possible by funding and technical support from USAID and the mining company Buenaventura in the form of a PRA (Poverty Reduction and Alleviation) project in Huancavelica.*

### DEVELOPMENT CHALLENGE

Despite Peru's impressive recent economic growth and democratic progress, many Peruvians—particularly beyond the coast—have not benefitted from these advances. Many receive few or inadequate basic services from the government and have not seen their incomes increase commensurate with the country's growing economy. Their perception that the benefits of natural resources have been unfairly distributed has in some cases led to violent social conflict. With limited economic opportunities and little trust in their government, some citizens have resorted to illegal and/or environmentally hazardous livelihoods. To sustain a positive, democratic trajectory with trade-led, free market economic growth, Peru must broaden economic opportunities and improve government capacity to provide social services, especially in areas that are environmentally sensitive or vulnerable to illicit coca production. Otherwise, illegal activity (e.g., drug trafficking and illegal logging/mining), environmental degradation, and conflicts (mostly related to natural resources, the extractive industries, and terrorism fueled by narcotics trafficking) could threaten Peru's economic and political future, destabilizing one of the United States' strongest democratic partners in the region.

The Goal of USAID's strategy is to **support Peru to strengthen its stability and democracy through increased social and economic inclusion, and significant reductions in illicit coca cultivation and the illegal exploitation of natural resources.** Since the beginning of President Humala's administration, he and his team have focused their attention on programs that improve the quality of life of vulnerable populations, such as the very young, the elderly and the poor. USAID's strategy will support President Humala's social inclusion goals, by focusing on the following objectives:

- Objective 1:** Alternatives to illicit coca cultivation increased in targeted regions.
- Objective 2:** Public service delivery improved in the Amazon Basin.
- Objective 3:** Natural resource sustainably managed in the Amazon Basin and glacier highlands.

### PERU SNAPSHOT

- **Population Total (million):** 29.2
- **Average Annual Population Growth (% 1990-2009):** 1.5
- **Gross National Income Per Capita (Atlas Method - \$2009):** 4,200
- **Gross Domestic Product (% growth 2008-2009):** 0.9

Source: World Bank Website, World Development Indicators 2011

### DEVELOPMENT HYPOTHESIS

By taking an integrated and coordinated approach to mitigating two



Farmers in San Martin hold aloft their cacao, a symbol of the choice to leave behind the dangers of illegal coca and embrace a productive future for themselves and their families.

drivers of conflict--narco-trafficking and natural resource exploitation-- while improving governance and fostering social inclusion, Peru will remain a stable democracy and productive partner for the United States. By broadening economic opportunities, improving governance and promoting social inclusion in the regions where illicit coca and environmental threats exist, conflicts will decrease and private investment will increase. In such an environment, families will be able to escape poverty, the quality of life of marginalized populations will improve, and the environment will be more sustainably managed.

**GEOGRAPHIC FOCUS:**

To achieve these objectives, USAID will focus its resources in the five Peruvian Amazon regions of Loreto, Amazonas, San Martin, Ucayali and Madre de Dios. USAID may also support limited activities in other areas, as necessary to accomplish these objectives.

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