

**SUMMARY OF THE
MID-TERM REVIEW**

2011 - 2013

PEROU

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SUMMARY

1. MID-TERM REVIEW

1.1. Political, economic and social developments in Peru

Since the preparation of the cooperation strategy for Peru, the country's political, economic and social situation has not changed fundamentally. The Government has maintained political and institutional stability and consolidated the policy of increased economic liberalisation. However, a number of **institutional weaknesses** and problems linked with **corruption** have hindered the implementation of national policies. Peru continues to experience problems linked to the illegal production of and trafficking in **narcotics** and a fresh upsurge of violence. The Government is also facing renewed social conflict. Despite sustained economic growth (9.8% in 2008) and the social programmes launched by the Peruvian authorities, the **poverty** level remains high (36.2% in 2008) and major disparities in economic and social development persist between the regions.

Although the rights of the **indigenous populations** are guaranteed under the Peruvian Constitution, social and political exclusion of this section of the population continues. Violent incidents in Amazonia in June 2009 resulted in 34 fatalities following confrontations between the police and indigenous citizens protesting against a series of laws which they claimed violated their rights to land and natural resources. The dialogue process between the Government and the indigenous communities is characterised by tension and requires attentive monitoring.

Peru has been affected by the **international crisis**, but prudent macroeconomic management and strict tax discipline have enabled the country to withstand its impact relatively well.

Peru is one of the richest countries in terms of **biodiversity and natural resources**, but exploitation of its raw materials has caused major environmental damage. It is also a country which is particularly vulnerable to natural disasters and the phenomena brought about by climate change.

1.2. New EC/EU policy objectives and commitments

In view of the new political priorities of the EC and the EU, certain areas have been identified as possible targeted actions (in particular the environment and climate change, narcotics, aid for trade) while others will be treated as cross-cutting subjects or addressed as part of regional cooperation (energy, migration).

Peru has made progress in terms of **aid efficiency**. The Peruvian International Cooperation Agency (APCI) has increased its operational capacity, but certain weaknesses remain. The APCI has been coordinating the donors forum since 2005 and a decision was taken recently to reorganise the different coordination mechanisms in place at present. Coordination of and consultation with civil society are organised through these mechanisms.

1.3. Results and efficiency of cooperation

It is difficult to carry out a precise assessment of the projects under the 2007-2010 NIP since work has only begun on a single project (supporting the Ministry of Economic Affairs and Finance) to date. However, the results of cooperation for the period 2002-2006 were generally

satisfactory. 81% of projects assessed using the ROM method (results oriented monitoring) obtained a positive assessment. In addition, more than 96% of financial commitments adopted between 2004 and 2006 have been paid, demonstrating good absorption capacity and sound project management. However, some complications and delays were observed in implementing projects, the main reasons for which were the complexity of national administrative procedures and institutional weaknesses which hindered the sound implementation of some projects and the management of the programming process. Moreover, given that the decentralisation process has involved transfer of responsibilities, including budgetary responsibilities, further time has been needed for the transfer of ownership and for implementation.

1.4. Conclusion

The results of the assessment and the consultation of the authorities and civil society carried out in the country indicate that **the response strategy defined in the Country Strategy Paper for 2007-2013 is appropriate. Some amendments to the objectives and indicators relating to the priority sectors appear necessary, however**, in order to take better account of the new priorities of the EU and Peru, as well as developments in relations between the EU and the country. The sector 1 social inclusion chapter has not been included in the NIP II, given the limited amount assigned to this sector and the fact that a project was formulated for this area in 2007 but has not yet started in practice.

2. NATIONAL INDICATIVE PROGRAMME 2011-2013

Of an indicative amount of EUR 132 million allocated to the NIP for Peru for the period 2007-2013, **an amount of EUR 46.2 million was set aside for the NIP II (2011-2013)**. In conjunction with the mid-term review, **it has been decided to increase this amount by an indicative amount of EUR 3 million to reinforce Peru's ability to implement the commercial agreement which the country is negotiating with the EU**. An amount of EUR 13 million has been allocated to the 'Support for modernisation of the State and strengthening good governance' sector. An amount of EUR 36.2 million has been earmarked for actions under the 'Support for integrated social development in specific regions by strengthening social cohesion' sector.

The approaches adopted must be selected to take account of the state of advancement of the sectoral policies implemented by the Government. However, preference should be given, where possible, to a budgetary or sectoral approach, which will support the results oriented budget method.

2.1. Support for modernisation of the State and strengthening good governance

Although progress has been made in terms of modernising the institutions and decentralisation, there is a need for continued support in this area with a particular focus on building the institutions' capacity to implement national policies. This is particularly relevant in the field of environmental protection: the Environment Ministry has recently embarked on the implementation of the national environment policy and links have been identified between poverty levels, social conflict and the environmental situation. Actions in this area will be coordinated with the new national environment policy, which includes specific objectives for combating climate change.

Opening up its own markets and gaining a foothold in international markets, especially as a result of the signing of free trade agreements, are integral aspects of Peru's economic policy. The implementation of the multiparty commercial agreement negotiated with the EU will provide Peru with new opportunities and will support the development of trade, in turn generating employment and sustainable development. The agreement will also signal new challenges for the Peruvian economy and the regulated sectors. Actions in this sector will focus on supporting the process of building the capacity of Peru's institutions to implement and gain full benefit from the agreement.

2. 2. Support for integrated social development in specific regions by strengthening social cohesion

Poverty alleviation and reducing inequalities in the distribution of wealth continue to be the main objective and priority of the Peruvian Government. It is therefore important to continue supporting actions geared towards the Millennium Development Goals and to support the Government's efforts to foster greater social cohesion. This can be done by supporting production activities and rural development policies in the poorest areas. The link between poverty, coca growing and drugs trafficking also calls for a coordinated strategy for addressing these phenomena. Actions could therefore focus on supporting Government policy in combating narcotics and promoting alternative development.