

Social protection systems

in **Latin America
and the Caribbean**

Peru

Milena Lavigne



UNITED NATIONS

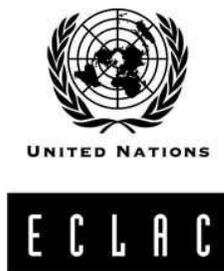


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Social protection systems in Latin America and the Caribbean: Peru

Milena Lavigne



This document was prepared by Milena Lavigne, consultant with the Social Development Division of the Economic Commission for Latin America and the Caribbean (ECLAC), and is part of the series of studies on "Social Protection Systems in Latin America and the Caribbean", edited by Simone Cecchini, Social Affairs Officer, and Claudia Robles, consultant with the same Division. Luna Gámez and Daniela Huneeus, consultants, provided editorial assistance.

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Foreword

Simone Cecchini
Claudia Robles

This report is part of a series of national case studies aimed at disseminating knowledge on the current status of social protection systems in Latin American and Caribbean countries, and at discussing their main challenges in terms of realizing of the economic and social rights of the population and achieving key development goals, such as combating poverty and hunger.

Given that, in 2011, 174 million Latin Americans were living in poverty —73 million of which in extreme poverty— and that the region continues being characterized by an extremely unequal income distribution (ECLAC, 2012), the case studies place particular emphasis on the inclusion of the poor and vulnerable population into social protection systems, as well as on the distributional impact of social protection policies.

Social protection has emerged in recent years as a key concept which seeks to integrate a variety of measures for building fairer and more inclusive societies, and guaranteeing a minimum standard of living for all. While social protection can be geared to meeting the specific needs of certain population groups —including people living in poverty or extreme poverty and highly vulnerable groups such as indigenous peoples—, it must be available to all citizens. In particular, social protection is seen a fundamental mechanism for contributing to the full realization of the economic and social rights of the population, which are laid out in a series of national and international legal instruments, such as the United Nations' 1948 Universal Declaration of Human Rights or the 1966 International Covenant on Economic, Social and Cultural Rights (ICESCR). These normative instruments recognize the rights to social security, labour, the protection of adequate standards of living for individuals and families, as well as the enjoyment of greater physical and mental health and education.

The responsibility of guaranteeing such rights lies primarily with the State, which has to play a leading role in social protection—for it to be seen as a right and not a privilege—, in collaboration with three other major stakeholders: families, the market and social and community organizations. Albeit with some differences due to their history and degree of economic development, many Latin American and Caribbean countries are at now the forefront of developing countries' efforts to establish these guarantees, by implementing various types of transfers, including conditional cash transfer programmes

and social pensions, and expanding health protection. One of the key challenges that the countries of the region face, however, is integrating the various initiatives within social protection systems capable of coordinating the different programmes and State institutions responsible for designing, financing, implementing, regulating, monitoring and evaluating programmes, with a view to achieving positive impacts on living conditions (Cecchini and Martínez, 2011).

Social protection is central to social policy but is distinctive in terms of the social problems it addresses. Consequently, it does not cover all the areas of social policy, but rather it is one of its components, together with sectoral policies —such as health, education or housing— and social promotion policies —such as training, labour intermediation, promotion of production, financing and technical assistance to micro— and small enterprises. While sectoral policies are concerned with the delivery of social services that aim at enhancing human development, and promotion policies with capacity building for the improvement of people’s autonomous income generation, social protection aims at providing a basic level of economic and social welfare to all members of society. In particular, social protection should ensure a level of welfare sufficient to maintain a minimum quality of life for people’s development; facilitate access to social services; and secure decent work (Cecchini and Martínez, 2011).

Accordingly, the national case studies characterize two major components of social protection systems –non-contributory (traditionally known as “social assistance”, which can include both universal and targeted measures) and contributory social protection (or “social security”). The case studies also discuss employment policies as well as social sectors such as education, health and housing, as their comprehension is needed to understand the challenges for people’s access to those sectors in each country.

Furthermore, the case studies include a brief overview of socio-economic and development trends, with a particular focus on poverty and inequality. At this regard, we wish to note that the statistics presented in the case studies —be they on poverty, inequality, employment or social expenditure— do not necessarily correspond to official data validated by the Economic Commission for Latin America and the Caribbean (ECLAC).

I. Introduction: historical context for social protection policies

The twentieth century history of Peru was marked by important economic, social and political changes to the State and its implementation of social policies. In particular, the high rates of economic development and industrialization during the 1950s and 1960s coincided with a vast urbanization process that created a massive rural exodus and influenced in an important way the configuration of Peruvian society. The rural population that migrated toward cities ended up living in poverty and thus started claiming for housing and basic social services (Matos Mar, 1986). Accordingly, social protection policies in Peru first began to appear in those years, inspired in the Bismarckian social welfare system that existed in Europe and in the idea of the universality of social protection.

During the 1970s, Peru implemented what has been called a “segmented universalism” model in social protection policies (Gamero Requena and Carrasco, 2011). Two were the main areas of action: a) the improvement of traditional social policy sectors, such as education, health, pensions and housing; b) the reform of fiscal policy, in order to increase redistribution and reduce economic and social inequalities. In the education and health sectors, Peru developed a public system with free services destined to the poorest sections of the population. It also developed an important housing construction policy based on the “young towns” (*pueblos jóvenes*) programme managed by the National Fund for Housing (*Fondo Nacional para la Vivienda*, FONAVI). The Constitution of 1979 recognized social security and welfare, as well as integral health protection and free education, as universal rights that must be guaranteed by the State.

The crisis of the 1980s, with the bankruptcy of public finances, stopped the expansion of the Peruvian welfare state. The implementation of the Washington Consensus and the structural adjustment policies reshaped the State’s role in social protection, with a decrease of social spending and its exclusive targeting on the poorest.

According to the Economic Commission for Latin America and the Caribbean (ECLAC, 2012b), in the first years of the 1990s, Peru had the lowest rates of public social spending of the region. Since then, the State has increased social spending and improved social policies, oriented to poverty reduction. Accordingly, the National Fund for Compensation and Social Development (*Fondo de Cooperación para el Desarrollo Social*, FONCODES) was created in 1991 (see section IV.A) and the National Programme for Food Assistance (*Programa Nacional de Asistencia Alimentaria*, PRONAA) in 1992 (see section 4.E.1). Furthermore, the State tried to fight poverty more actively, with the Targeted Strategy to Fight Against Extreme Poverty (*Estrategia Focalizada de Lucha Contra*

la Extrema Pobreza, EFLCPE) established in 1997 (Gamero Requena and Carrasco, 2009). Moreover, the new Constitution of 1993 mentions in its article 7 the right to health (including protection for persons with disability). In article 10, it states that social security is a universal right, and in article 11 it guarantees free access to health and pension provision through the supervision of the public and private health entities.

During the decade of the 2000s, the State tried to ensure the universal coverage of basic social services. As a consequence, it created the Integral Health Insurance (*Seguro Integral de Salud*, SIS) in 2001 (see section VI) and the National Agreement (*Acuerdo Nacional*) in 2002. The latter consists of a group of public policies oriented to the improvement of: (i) democracy and rule of law; (ii) equity and social justice; (iii) economic competitiveness; and (iv) State efficiency. Non-contributory pensions for the elderly and the conditional cash transfer (CCT) programme *Juntos* (see section V) complement these efforts.

The new government of Ollanta Humala —elected President of the Republic in 2011— has placed social protection as one of its main priorities. The first measures have included an expansion of non-contributory pensions as well as the launch of the fourth National Programme for Childhood and Adolescence (*Programa Nacional para la Infancia y la Adolescencia*, PNAIA), which aims to improve the situation of youth. It also made changes to the Ministries in charge of social development, dividing the former Ministry of Women and Social Development (*Ministerio de la Mujer y del Desarrollo Social*) into the Ministry of Women and Vulnerable Populations (*Ministerio de la Mujer y de las Poblaciones Vulnerables*), on one hand and, and the Ministry of Social Development and Inclusion (*Ministerio del Desarrollo e Inclusion Social*, MIDIS) on the other hand. Through the MIDIS the government established the National System of Social Development and Inclusion (*Sistema Nacional de Desarrollo e Inclusion Social*, SINADIS) in order to improve the articulation in the intergovernmental and inter-sector levels. This was done in order to better respond to the different needs related to poverty reduction and social protection.

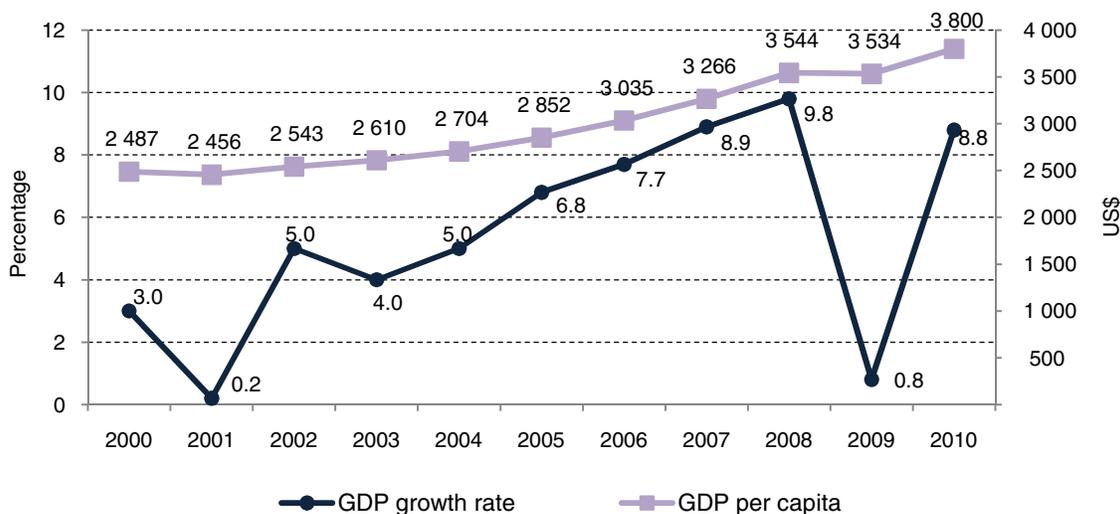
However, these efforts are not yet sufficient to ensure universal coverage and the equitable access to quality public health and education services (see sections V and VI).

II. Peru: main economic and social indicators

Since the beginning of the 2000s, Peru has experienced dynamic —although variable— economic growth, with GDP growth rates varying between 0.8% in 2000 and 9.8% in 2010. GDP per capita has grown constantly since 2000 (when it was US\$ 2,487), reaching US\$ 3,800 in 2010 (see figure 1). Although in 2009 the Peruvian economy suffered from the fall of external demand due to the international financial crisis (ECLAC, 2009), it recovered in the following year. The most dynamic sectors of the Peruvian economy have been the non-primary manufacturing sector (12% growth in 2011), construction (18% growth), retail trade (10% growth) and the fishing sector (16.2% growth) (ECLAC, 2011a).

Peru has to tackle many challenges with respect to its labour market, which include extensive labour informality, low wages, youth unemployment, as well as gender and geographical discrimination.

FIGURE 1
GDP GROWTH RATE AND GDP PER CAPITA, 2000-2010
(Percentages and constant US\$)



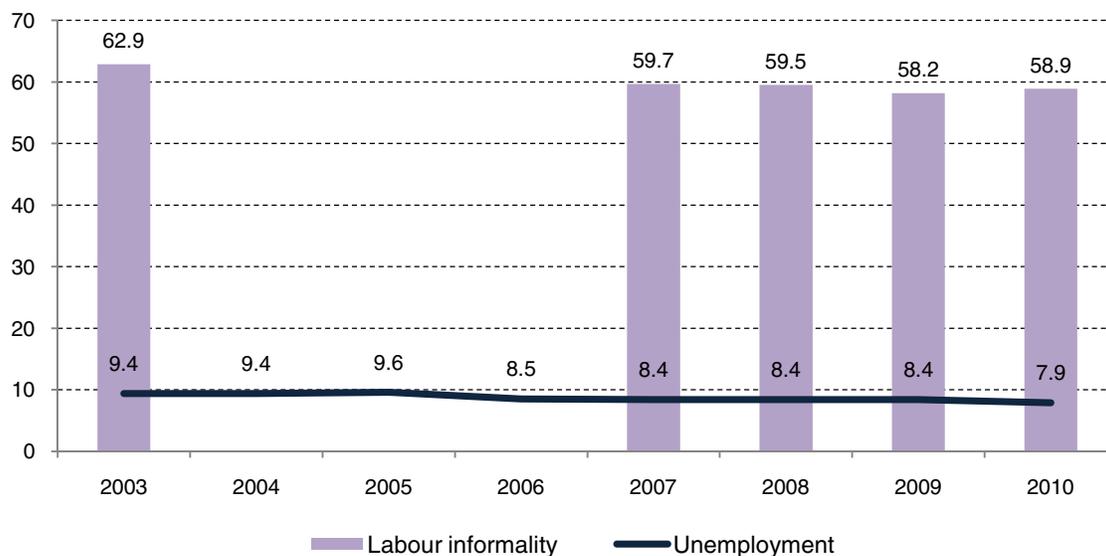
Source: Own elaboration on the basis of ECLAC, CEPALSTAT [online] <http://websie.eclac.cl/infest/ajax/cepalstat.asp?carpeta=estadisticas>.

Labour informality is a key structural problem. In 2009, it represented 58.9% of the total occupied population, only four percentage points below the 2003 rate (62.9%). The unemployment rate, instead, has decreased more significantly, passing from 9.4% of the active population in 2003 to 7.9% in 2010 (see figure 2). Most informal workers are not affiliated to a pension system: in 2009, only 13.7% of independent informal workers and 17.6% of informal wage earners were affiliated to a pension scheme (Gamero Requena and Carrasco, 2009). Moreover, the differences between the wages of formal and informal workers are quite important: in 2009, formal workers received an average wage of 1,840 soles (US\$ 690) per month, while informal workers received 623 soles (US\$ 233) per month.

The country also faces a high youth unemployment rate in urban areas (12.2% in 2009), which is well above the total unemployment rate (8.4% in 2009). Gender differences are also important. The urban unemployment rate is slightly higher for women (5.9% in 2009) than for men (5.4%) (ECLAC, 2011c). Urban labour informality is also higher for women (67.7% in 2008) than men (52.7% in 2008) (ECLAC, 2012b). The same happens with rural informality, which concerns 92% of women and 80.9% of men.

Moreover, because of the adjustment policies adopted after the economic crisis, between 1981 and 1990 the real incomes of workers fell, being reduced by 65.6% in the private sector and 84.4% in the public sector. During the same period, the incomes of independent workers decreased 76.6% in urban areas and 82.3% in rural areas. Despite the dynamic economic growth experienced in Peru since the 1990s, labour incomes did not increase significantly: the real average wages in the private and public sector in 2010 were respectively 60.8% and 36.7% higher than in 1990 but represented only 55.5% and 21.3% of their level in 1980 (Mendoza, Leyva and Flor, 2011).

FIGURE 2
UNEMPLOYMENT AND URBAN INFORMALITY RATES, 2003-2010
(Percentages)



Source: Own elaboration on the basis of ECLAC, CEPALSTAT [online]: <http://websie.eclac.cl/infest/ajax/cepalstat.asp?carpeta=estadisticas>.

At the beginning of the 2000s, Peru was facing very high rates of poverty and extreme poverty: in 2003, about 68.5% of the population lived in poverty and 48.1% in extreme poverty. However, since 2005, the country has made important progress in terms of poverty reduction. As a result, in 2010 the poverty rate stood at about 31.3% of the population and the extreme poverty rate

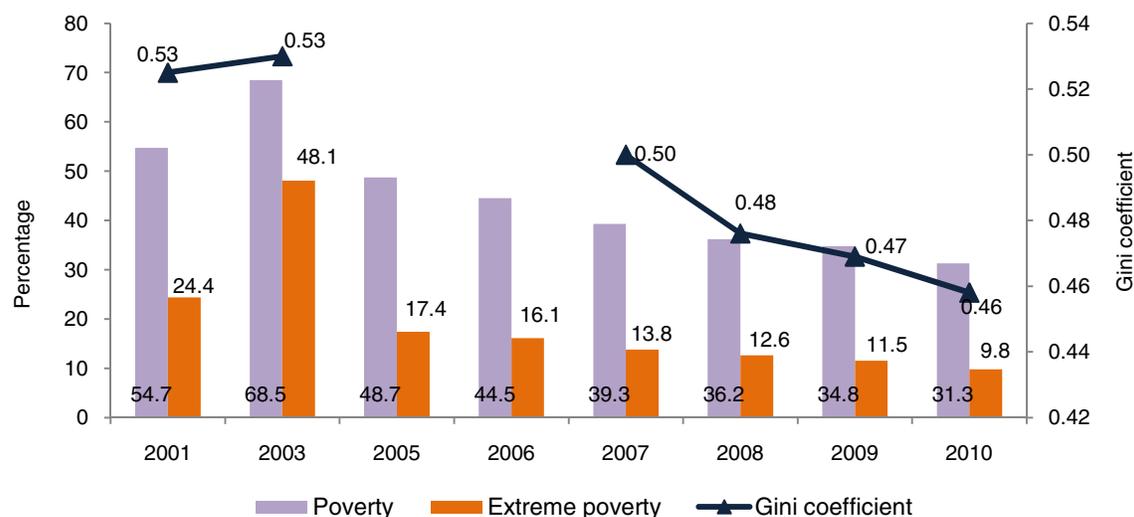
was about 9.8%. Nevertheless, as a consequence of low salaries, in 2010 the poverty rate of the occupied population was as high as 27% and the extreme poverty rate was 8%. In particular, in the same year, 39% of own account workers and unpaid family workers were poor and 14% extremely poor (ECLAC, 2012a).

Poverty rates vary significantly between different areas of the country, as well as between different population groups. The poverty rate is much higher in rural areas (54.2% in 2010) than in urban areas (19.1%); similarly, the rural extreme poverty rate was 23.3% in 2010, while the urban rate was about 2.5% (ECLAC, 2012b). The regions where poverty is more concentrated are the Sierra region and, to a lesser extent, the Amazonas department, which have much higher poverty rates than the coast.

Furthermore, indigenous peoples suffer poverty and social exclusion and have more precarious life conditions than the non indigenous population. According to UNICEF, in 2010, the poverty rate for indigenous peoples was 55%, almost the double than that of the non-indigenous population (31.1%). Moreover, 26% of indigenous peoples lived in extreme poverty, while the rate for non indigenous was about 9.8% (Benavides, Mena and Ponce, 2010). This represents a huge challenge, as Peru has the biggest indigenous population in Latin America: 6.5 million people belonging to 43 different ethnic groups, representing 25% of the country's population (ECLAC, 2011b).

Income inequality is also very high. Mendoza, Leyva and Flor (2011) show that in the 1950s and 1960s the Gini coefficient in Peru was around 0.6 and that it remained stable until the 1980s. Even if income inequality has been reduced during the last ten years —the Gini coefficient has passed from 0.525 in 2001 to 0.458 in 2010 (see figure 3) — its reduction has not been as fast as the fall of poverty and extreme poverty rates.

FIGURE 3
POVERTY, EXTREME POVERTY AND GINI COEFFICIENT, 2001-2010^a
(Percentages and Gini coefficient)



Source: Own elaboration on the basis of ECLAC, CEPALSTAT [online] <http://websie.eclac.cl/infest/ajax/cepalstat.asp?carpeta=estadisticas>.

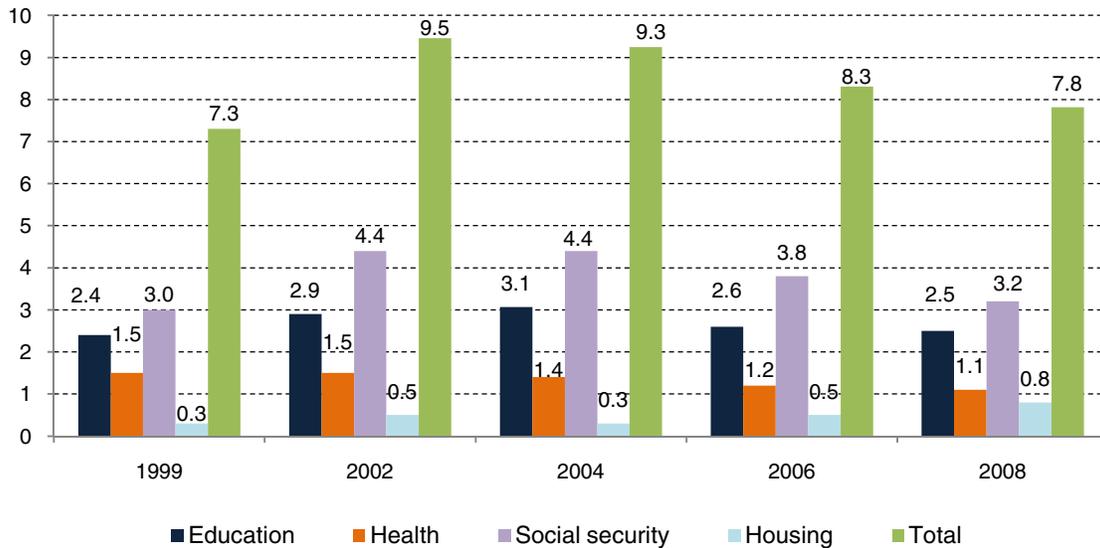
^a Due to a methodological change by the INEI, the data since 2004 are not strictly comparable to the previous ones.

A. Social spending trends

Social spending in Peru is defined as the spending of the State at its different levels of government to provide public and private goods and services within its functions of resources assignation, income redistribution, provision of preferential goods and promotion of economic growth; in order to seek the guarantee (either universal or selective) of specific social rights of the population (Martínez and Collinao, 2010).

Social spending is quite low compared to the Latin American average: in 2008, Peru had the third lowest public social spending as a percentage of GDP (8.3%), after Guatemala (7.0%) and Ecuador (7.3%). Spending is oriented primarily to social security, a sector in which public funds have a huge deficit that the State must compensate (see section III). Education is the second most important sector of investment by the Peruvian State, while the health sector suffers a lack of public funds and in 2010 received only the equivalent of 1.1% of GDP (see figure 4). Yet, the important rates of growth of GDP made it possible to increase social spending in absolute terms.

FIGURE 4
SOCIAL SPENDING AS PERCENTAGE OF GDP, 1999-2008
(Percentages)



Source: Own elaboration on the basis of ECLAC, CEPALSTAT [online] <http://websie.eclac.cl/infest/ajax/cepalstat.asp?carpeta=estadisticas>.

III. The pension system

The first pension system in Peru, shaped by the Entitlement Law (*Ley de Goces*) of 1850, was of a corporative kind, meaning that it was organized in function of the labour status of the affiliated, such as being a public employee or army forces personnel. The current pension system, shaped by the reform of 1973, is composed by a contributory regime (itself divided into a public and a private subsector) and a non-contributory pillar managed by the State and destined to the elderly living in poverty and social exclusion (Vidal, Cuadro y Sánchez, 2012).

A. Overview of contributory pensions

Contributory pensions in Peru fall under three main regimes: the National Pension System (*Sistema Nacional de Pensiones*, SNP); the Living Decree (*Cédula Viva*) (Decree Law No. 20530); and the Private Pension System (*Sistema Privado de Pensiones*, SPP), which is an individual capitalization system. The two first regimes are part of the public pension system and are managed by the State (see table 1). The third one is administered by private Pension Funds Administrators (*Administradoras de Fondos de Pensiones*, AFP). In 2008, the establishment of a new Social Pension System (SPS) was voted by Congress, but it has not been implemented yet.

The National Pension System (SNP) was created in 1973 by the Decree Law No. 19990. It is managed since 1994 by the Social Security Office (*Oficina de Normalización Previsional*, ONP) and covers both private and public sector employees who are not covered by the Living Decree. The SNP works as a pay-as-you-go pension regime and offers a fixed retirement allowance. In 1992, the SNP was reformed, mainly for financial reasons. It reduced its health services provision while it increased the requirements for accessing old age pension. The legal age for retiring passed from 55 years for women and 60 for men to 65 for both, and workers' contributions passed from 9% of their wages (6% from the employer and 3% for the employee) (Vidal, 2010) to 13% during at least 20 years (Clausen and Zacharías, 2009). The SNP also offers pensions for disability, widowhood, orphanhood, and for the dependent parents of a deceased worker.

The Living Decree covers only public workers that entered the administrative career before 1962. With the 1973 reform, it was destined to end, but instead of disappearing it has become a special public pension regime for the following groups of workers: teachers that started working before 1980, workers at State companies and magistrates. The Living Decree covers retirement (with a contribution of 13% of the salary for at least 15 years for men and 12.5 years for women), disability, widowhood, orphanhood and also offers a pension to the dependent parents of deceased workers.

The Private Pension System (SPP) was created in 1993 with the Decree Law No. 25897 to respond to the great deficit of public pensions' funds, which were on the brink of bankruptcy. The SPP follows an individual capitalization regime, which means that workers' contributions are deposited in an individual capitalization account (*Cuenta Individual de Capitalización, CIC*). In 1993, the system was managed by eight different private AFPs; however, today only four still exist. Affiliation to the private pension system is voluntary. It offers pensions for retirement, disability and survival. The minimum age to retire is 65, and the pension amount is not proportional to the years of contribution but it is equivalent to the fund accumulated by the affiliated in its CIC.

The creation of the Social Pension System (SPS), through the Legislative Decree No. 1086, was voted in 2008. It is a new voluntary pension system for micro enterprises (employing a maximum of 10 persons) managed by the ONP. It is destined to workers who are not covered by any contributory pension regime. The affiliation to the SPS is voluntary and workers' contribution cannot exceed 4% of the minimum wage (divided in 12 yearly contributions). It is an individual capitalization regime with funding from workers and from the State. The retirement age is 65 for both men and women, who must have at least 300 contributions (a higher contribution than that of the SNP and SPP). The SPS will also provide survival (20% of the equivalent retirement pension for orphans and 42% for widows) and disability pensions (Vidal, Cuadros and Sánchez, 2012).

TABLE 1
MAIN DIFFERENCES BETWEEN THE SNP AND THE SPP

Sector	National Pension System (SNP)	Private Pension System (SPP)
Funding	Worker (13%) System funded by the public treasury, contributions and collective capitalization	Contribution to the CIC (10%); Worker commission (about 1.95%) Insurance premium (1.06%) Individual capitalization system with State guarantee after 20 years of contribution (minimum pension)
Management	Social Security Office (ONP) Intensive use of outsourcing in its main activities	Pension Funds Administrators (AFP) Decentralized collection Coverage for disability and survival pensions is subcontracted Advertising spending
Coverage	Dependent workers: compulsory Independent workers: voluntary	Dependent workers: compulsory Independent workers: voluntary
Benefits	Retirement, disability, survival, death Determination of the benefits in function of legal regulations General rule: 65 years old and 20 years of contribution Maximum limits are applied	Retirement, disability, survival, death Individual capitalization system with guarantee of minimum pension when 65 years old and 20 years of contribution Retirement modalities and fund type in function of risk

Source: Álvaro Vidal Bermúdez, Cuadros Luque, Fernando y Christian Sanchez Reyes (2012), "Flexibilización laboral en el Perú y reformas de la protección social asociadas: Un balance tras 20 años", *Políticas Sociales series* (LC/L.3444), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC)/German Agency for International Cooperation (GTZ), 2012.

B. Non-contributory pensions

The Peruvian State offers two non-contributory pensions for vulnerable elderly who did not contribute to a pension fund or whose contributions do not allow them to receive a decent pension: the Minimum Pension for Old Age (*Pensión Mínima de Vejez*) and the National Solidarity Assistance Pension (*Pensión Nacional de Asistencia Solidaria, "Pensión 65"*).

The Minimum Pension for Old Age was created in 2001. It consists of a minimum pension that all the Peruvian workers who have contributed for at least 20 years (in either the public or the private pension system) have the right to receive. It is specifically destined to older adults whose pension amount is below the minimum established. In 2009, the monthly amount of the pension was US\$ 160.7. The coverage of the programme for 2011 was very low, as it reached only 3,785 persons (ECLAC, 2012b).¹

The *Pensión 65* was created in 2011 by the government of Ollanta Humala, as the successor of the "Gratitude" programme piloted during Alan Garcia's presidency (2006-2011). It consists of a pension for older adults who live in extreme poverty. It currently operates in 13 out of 26 departments,² covering 25,902 persons in 2011. The monthly value of the transfer of *Pensión 65* ranges between US\$ 45 and US\$ 90. This programme shares the same institutional framework of the *Juntos* programme (see section IV), with respect to operational and delivery processes, beneficiaries' selection, and technical and human resources).

C. Pension coverage

In the last ten years, Peru has succeeded increasing the affiliation of workers to the pension system, albeit starting from very low levels. The occupied population that is affiliated to a pension scheme almost doubled between 2001 and 2008, passing from 12.9% to 24.8% during that period (Cecchini and Martinez, 2011).

Yet, it is clear that the great majority of the occupied population is excluded from contributory pensions, in particular those that work in the informal sector. Furthermore, the percentage of people aged 65 and above who receive a pension has followed a slightly declining trend, decreasing from 27% in 2000 to 24% in 2009 (ECLAC, 2012b).

Great inequalities in the affiliation to the pension system exist depending on whether workers belong the medium- and high-productivity sectors (56.3% of them contributed to social security in 2008) or the low-productivity sector (10.6% of contributions in 2008), as well as in function of their gender. More men (30.9% in 2008) are affiliated to a pension scheme than women (17.4%), and the gap between men and women is particularly large in the low-productivity sector, where 15.9% of men were affiliated to a pension scheme in 2008, but only 5.9% of women did (see table 2).

Most of the people affiliated to a contributory pension scheme in Peru are covered by the private sector: in 2011, the coverage of public contributory pensions was 490,954 persons (Oficina de Normalización Previsional, 2012), while the private sector covered about 4,982,701 people in February 2012 (Superintendencia de Seguros, Banca y AFP, 2012).

¹ The minimum pension is funded by the amounts accumulated by the affiliated in the CIC; when this income has been used up, it was funded by the Complementary Minimum Pension Allowance (Bono Complementario de Pensión Mínima, BCPM) and the Complementary Recognition Allowance (Bono de Reconocimiento Complementario, BRC) for workers under the extraordinary regime (miners and civil construction workers) (Law 27252) (Clausen and Zacharías, 2009).

² Amazonas, Ancash, Apurímac, Ayacucho, Cajamarca, Cusco, Huancavelica, Huánuco, Junín, La Libertad, Piura, Puno and Lima-Callao.

TABLE 2
EMPLOYED PERSONS AFFILIATED TO PENSION SCHEMES, NATIONAL,
BOTH SEXES, WOMEN AND MEN, 2001-2008
(Percentages)

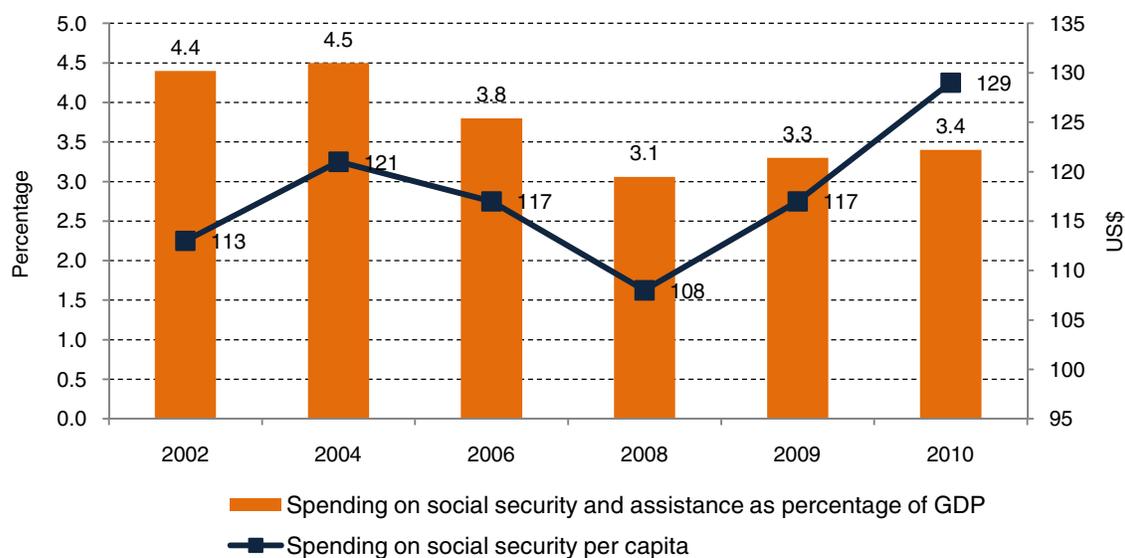
	Total employed persons			Sector of activity of employed persons					
	Both sexes	Men	Women	Medium and high productivity			Low productivity		
				Both sexes	Men	Women	Both sexes	Men	Women
2001	12.9	15.0	10.1	39.4	37.6	43.3	2.6	3.6	1.5
2003	13.7	16.8	9.8	41.9	41.7	42.4	3.3	4.9	1.7
2008	24.8	30.9	17.4	56.3	57.2	54.4	10.6	15.4	5.9

Source: S. Cecchini and R. Martinez, *Inclusive Social Protection in Latin America: A Comprehensive Right-based Approach* (LC/G.2488-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC). United Nations Publications, Sales No. S.11.II.G.23, 2011.

D. Public spending on social security and assistance

Social security and assistance is the main sector for social spending in Peru, and has been increasing between 2008 and 2010, both in per capita terms and as a percentage of GDP (see figure 5). This is mainly due to the important deficit of the public pensions system, as the contributions accumulated by workers in the different funds (SNP and CIC) are not enough to cover their retirement. For this reason, the State must fund the retirement deficit. In 2004, the State subsidized on average about 58% of the retirement pensions of the SNP and about 85% of the retirement pensions of the Living Decree (Ministry of Economy and Finance, 2005).

FIGURE 5
PUBLIC SPENDING ON SOCIAL SECURITY AND ASSISTANCE, 2002-2010
(Percentages of GDP and constant 2005 US\$)



Source: Own elaboration on the basis of ECLAC, CEPALSTAT [online] <http://websie.eclac.cl/infest/ajax/cepalstat.asp?carpeta=estadisticas>.

IV. Poverty reduction policies and programmes

The Peruvian State currently runs several poverty reduction policies and programmes. Historically, these actions started during the 1970s and 1980s, when it was civil society that —given the lack of State policies and programmes— organized itself to respond to growing poverty as a result of the economic crisis (Francke y Mendoza, 2006). The first poverty relief actions were focused on food security, through the implementation of self-organized popular canteens. These were promptly taken over by the State, which, at the beginning of the 1990s, started implementing poverty reduction policies. In 1991, FONCODES (see section IV.A) was the first instrument implemented to fight poverty, followed by several other actions and programmes. However, these policies and programmes were run within a pork-barrel and vote-catching background.³

Today, the main institutions that coordinate and manage poverty reduction programmes are the Ministry of Social Development and Inclusion (*Ministerio de Desarrollo e Inclusión Social*, MIDIS), created in 2011 by the Law No. 29792, and the Ministry of Women and Vulnerable Populations (*Ministerio de la Mujer y de las Poblaciones Vulnerables*, MIMP) created in 2001 through the Law No. 27793.⁴ The main objective of MIDIS is to coordinate and run government policies for the fights against poverty and child malnutrition. On the other hand, MIMP is responsible for the policies to empower women and vulnerable populations (children, older age persons, disabled persons, internal migrants and displaced populations). Through these institutions, the Peruvian government runs several social programmes and plans specifically designed to combat poverty and improve social development and food security for the most vulnerable population.

³ FONCODES was in fact used as a vote-catching instrument by the Fujimori government. A study of Norbert Schady (2000) showed that between 1991 and 1995 expenditures by FONCODES increased significantly before national elections, in particular in the poorest areas.

⁴ The Ministry was first called «Ministry of Women and Social Development» (*Ministerio de la Mujer y del Desarrollo Social*). Its name was changed to Ministry of Women and Vulnerable Population in 2012 by the Decree No. 1098.

A. The National Fund for Social Compensation and Development (FONCODES)

The National Fund for Social Compensation and Development (*Fondo Nacional de Compensación y Desarrollo Social*, FONCODES) is a national programme managed by the MIDIS. This programme was created in 1991 in order to promote local and territorial development through the participation and cooperation of the public and private sectors. Its main goal is poverty reduction, through investments in economic and social infrastructure, especially in the poorest rural areas. Accordingly, FONCODES focuses on agriculture and local infrastructure to improve of productivity. It funds innovative development projects proposed by municipalities or in cooperation with private entities.

In 2011, the main areas of work of FONCODES were: (i) productive development; (ii) institutional and citizenship capacity building; (iii) social infrastructure, improving drinking water and sanitation systems, electrification and bridges; and (iv) territorial articulation, supervising and coordinating projects in execution.

In 2011, the budget for FONCODES was US\$ 841,392,697, funded by the State, with the participation of the World Bank and the Inter American Development Bank.

B. The National Strategy "Crecer"

Crecer was a national social development strategy created in 2007, through the cooperation and partnership between public (national, regional and local governments) and private entities (NGOs, international cooperation, and civil society), working together on poverty reduction and social exclusion issues. The *Crecer* strategy coordinated many institutions, Ministries and programmes in the sphere of social development.

Crecer's objectives were to promote human and social capital development among vulnerable groups, as well as improving incomes —through employment of adults and the protection of children, pregnant women, disabled persons and older adults.

The plan focused on three areas: (i) the improvement of human capabilities and the respect of fundamental human rights, through the establishment of a minimum floor of access to social services and housing; (ii) the promotion of opportunities and economic competences, with a focus on rural development; and (iii) the establishment of social protection networks —such as one for the population in critical situation or highly vulnerable (*red de protección a población en situación crítica o de alta vulnerabilidad*), and the network for management and prevention of environmental risks (*red de prevención y gestión de riesgos ambientales*)— in order to promote and facilitate the access to public and social services for vulnerable population. *Crecer* had also a specific component for fighting child malnutrition and poverty. *Crecer* covered 503,007 beneficiaries in 2007 and 755,044 in 2008. It aimed to cover about one million children aged 5 years and below living in poverty throughout the country.

C. The National Plans of Action for Childhood and Adolescence (PNAIA)

In the last 20 years Peru has been implementing National Plans of Action for Childhood and Adolescence (*Planes Nacionales de Acción por la Infancia y la Adolescencia*, PNAIA). The first was drafted in the framework of the National Poverty Relief Strategy and covered the 1992-1995 period;

⁵ *Crecer* targeted the districts which have the highest rates of poverty and child malnutrition. All the districts of the VRAE region (Valle del Rio Apurimac y Ene) were included in the programme for their high poverty rates.

the second one covered the 1996-2000 period; and the third one —managed by the former Ministry of Women and Social Development— the 2002-2010 period. The aim of the PNAIA 2002-2010 was to contribute to the achievement of the Millennium Development Goals (MDGs) and the goal of the *Acuerdo Nacional* on family strengthening and childhood, youth promotion and protection. The main actions of PNAIA 2002-2010 were: (i) to ensure a healthy life for children under 5; (ii) to bring quality basic education for all the children between 6 and 11; (iii) to create participation spaces for adolescents between 12 and 17 and to promote their integral development; and (iv) to establish a system of child rights protection guarantees for children from 0 to 17 years.

The PNAIA 2012-2021 was adopted through the Law No. 28487. It is run by the Ministry of Women and Vulnerable Populations. It has six goals that are: (i) the reduction of chronic malnutrition for early childhood to 5% (which means that 95% of children under 5 will have adequate nutritional habits); (ii) a 100% schooling rate for children between 3 and 5 in a quality school (targeting especially rural areas); (iii) that 70% of children in primary education reach a correct level of reading comprehension and mathematics; (iv) to reduce by 20% the adolescents pregnancy rate; (v) to offer adolescents quality secondary education; and (vi) to reduce the violence against children. To reach these goals, the PNAIA 2012-2021 works in coordination with other governmental policies.

D. The conditional cash transfer programme "*Juntos*"

In 2005, the government of Alejandro Toledo created through the Supreme Decree No. 032-2005-PCM a new CCT programme called *Juntos*, the national programme of direct support to the poorest (*Programa de apoyo directo a los más pobres*). *Juntos* is targeted to the population living in poverty and extreme poverty: households with children under 14, pregnant women, widowed parents and/or older adults. It is particularly focused on getting children out of poverty, improving their education, health and nutrition. The design of *Juntos* was inspired by Mexico's *Progres-a-Oportunidades* and Brazil's *Bolsa Família* CCT programmes (Francke and Mendoza, 2006).

Juntos has a decentralized organization, with an important participation of civil society and communities. Since 2012, the programme is run by the Ministry of Social Development and Inclusion, while previously it was managed by the Presidency of the Council of Ministers (*Presidencia del Consejo de Ministros*). The programme works in coordination with many Ministries in charge of social issues, such as Health, Education, and Women and Vulnerable Populations. This allows linking the supply-side of public services with *Juntos*' beneficiaries.

The programme consists in a cash transfer, whose amount in 2011 varied between a minimum of US\$ 7.7 and a maximum of US\$ 36 per household. The permanency of families into the programme is four years, renewable only once. If after the fourth year families remain eligible, they enter a second four-year phase in which the transfer amount decreases gradually. In 2011, the budget for *Juntos* was US\$ 229,634,851, entirely funded by the State.

Juntos is characterized by six main elements: (i) management and coordination between the different public and private entities that contribute to the programme; (ii) geographical targeting of areas that are considered as a priority because of poverty and low access to primary public services; (iii) community targeting, because many potential beneficiaries lack official identification; (iv) targeting of beneficiaries' households fulfilling the programme's requisites; (v) monitoring and evaluation of the fulfilment of beneficiaries' co-responsibilities, the programme and its impact on beneficiary households; and (vi) social accountability and citizens' control to guarantee programme transparency (Francke and Mendoza, 2006).

The programme focuses particularly on rural areas, where poverty is more concentrated. The co-responsibilities are related with the improvement of human capabilities. In particular, they seek to improve the health status of children under 5 years old and pregnant/breastfeeding women (through medical check-ups attendance), the nutritional status of children aged between 6 months and 3 years

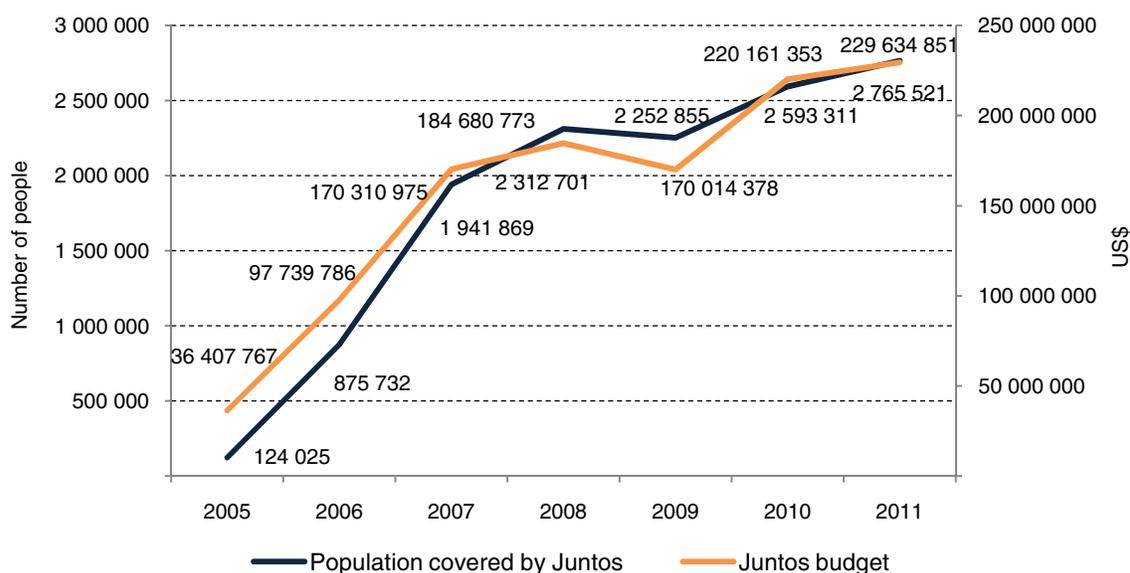
(through participation in the Food Supplement Programme for Higher-Risk Groups, Programa de Complementación Alimentaria para Grupos en Mayor Riesgo -PACFO), the education of children aged between 6 to 14 years (requiring an 85% rate of school attendance) and the enrolment of children in the programme Mi Nombre, to obtain ID cards.

The coverage of *Juntos* has been increasing importantly since its creation in 2005. The programme started covering some specific rural areas (110 districts situated in the Andean region, specifically the departments of Apurímac, Ayacucho, Huancavelica and Huanuco), but in 2011 it covered the whole country. The number of beneficiaries has increased from 124,025 persons in 2005 to 2,765,521 persons in 2011, which constitutes about 7.6% of the total Peruvian population and 21.2% of the population living in extreme poverty (see figure 6) (Cecchini and Madariaga, 2011).

An evaluation of the programme made by the World Bank on beneficiaries from 2005 to 2007 (Perova and Vakis, 2009) shows that *Juntos* has a positive impact on households' welfare indicators. *Juntos'* impacts differ depending on the sector. The programme has an impact on poverty reduction—increasing by 13% the total monthly income of beneficiaries' households—, as well as on health and nutrition—increasing beneficiaries' medical visits and consumption of higher nutritional value food, and promoting a more balanced diet—. However, its impact on education is much more limited: *Juntos* increases school registration by four percentage points, but it does not have any effect on school attendance. Moreover, it does not have any impact on labour market outcomes.

A more recent assessment (Sánchez and Jaramillo, 2012) focused on child malnutrition. The evaluation of the health status of children that are in the programme since 2008 shows that *Juntos* has an impact on extreme—but not on moderate— chronic malnutrition, meaning that the programme helped mainly children with the worst nutritional status. Furthermore, reductions of chronic malnutrition also happened in the districts where *Juntos* did not operate.

FIGURE 6
COVERAGE OF *JUNTOS*, 2005-2011
(Number of persons and US\$)

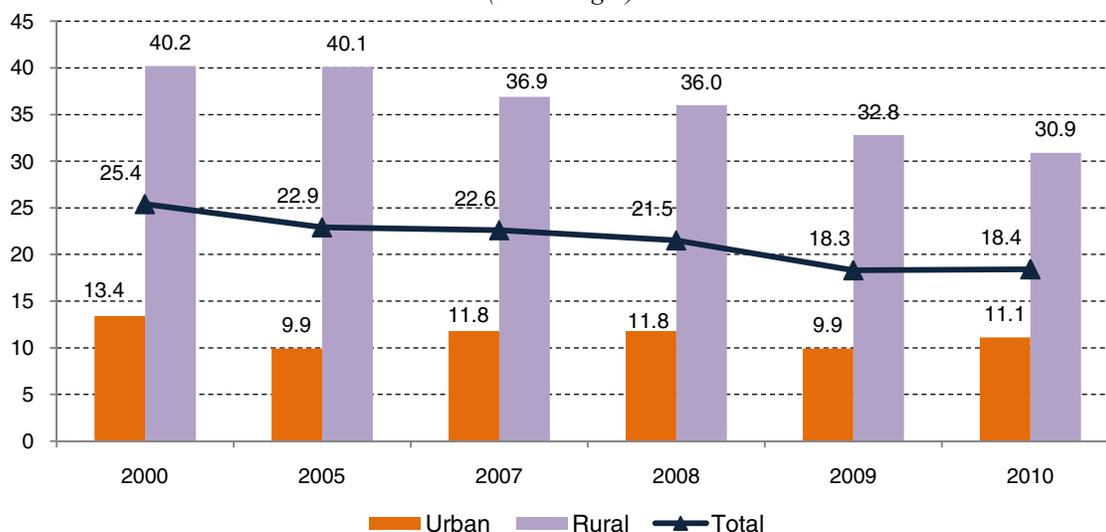


Source: Own elaboration, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), Database of non-contributory social protection programmes in Latin America and the Caribbean [online] <http://dds.cepal.org/bdptc/>.

E. Food and nutrition programmes

Child malnutrition remains an important issue for the country, even if the situation has been improving since 2007. In 2005, malnutrition among children under 5 years stood at about 22.9%; five years later, this figure had been reduced to 18.4% (see figure 7). However, there is still a huge gap in child malnutrition between urban and rural areas, where malnutrition is much higher.

FIGURE 7
CHRONIC CHILD MALNUTRITION BY GEOGRAPHICAL AREA, 2000-2010
(Percentages)



Source: *Juntos* Programme evaluation, 2010.

Malnutrition has thus been placed on the political agenda at the beginning of the decade of the 2000s, and its reduction became a major objective for the government, which declared it would try to reduce it by ten percentage points in five years (Martínez and Fernández, 2009).

Accordingly, in 2004 the government established specific policies to combat malnutrition as part of the goal on food security and nutrition of the *Acuerdo Nacional*, as well as in the framework of the National Strategy for Food Security (*Estrategia Nacional para la Seguridad Alimentaria*, ENSA). ENSA's main objective is to prevent the risks of nutritional deficiencies, especially for children under five and pregnant women in situation of vulnerability, through the promotion of healthy food consumption practices; and to guarantee a sustainable and competitive supply of nationally-produced food (Carvajal, 2004). ENSA is subdivided at a regional level into Regional Strategies for Food Security (*Estrategias Regionales de Seguridad Alimentaria*, ERSA), in order to have a better adaptation to the socio-economic differences between the areas of the country. ENSA is managed by the Multi-sector Commission for Food Security (*Comisión Multisectorial de Seguridad Alimentaria*).⁶ In 2011 the ENSA budget was about US\$ 125 million.

⁶ The Multi-sector Commission is composed by the President of the Council of Ministers, the Ministry of Agriculture, the Ministry of Foreign Trade and Tourism, the Ministry of Education, the Ministry of Women's Affairs and Vulnerable Populations, the Ministry of Production, the Ministry of Foreign Relations, the Ministry of Health, the Ministry of Labour and Employment Promotion and the President of the Mesa de Concertación para la lucha contra la Pobreza.

Moreover, in 2004, the Ministry of Agriculture (MINAG), in coordination with the Food and Agriculture Organization of the United Nations (FAO), started the Special Programme for Food Security (*Programa especial de Seguridad Alimentaria*, PESA) that will end in 2015. PESA works as an instance that manages all the information related to food security and orients the activities of the different institutions within ENSA, in order to reach ENSA's goals.

1. The National Programme for Food Assistance (*Programa Nacional de Asistencia Alimentaria*, PRONAA)

In 2006, the National Programme for Food Assistance (PRONAA) was created to fight hunger and to improve food security in the poorest areas of Peru, with a focus on children. PRONAA is divided in two sub-programmes: the Integral Nutrition Programme (*Programa Integral de Nutrición* PIN) and the Food Supplement Programme (*Programa de Complementación Alimentaria*, PCA). The PRONAA ended in 2012 and was replaced by the new programme *Qali Warma* (vigorous child) since 2013.

(a) The Integral Nutrition Programme (PIN)

The PIN was created in 2006, integrating six former food programmes: PACFO, Food and Nutrition Programme for High-Risk Families (*Programa de Alimentación y Nutrición a Familias en Alto Riesgo*, PANFAR), child canteens, school breakfasts, school lunches, Initial Education Centres / Nutrition program for pre-kindergartners and kindergartners (*Centros de Educación Inicial/ Programa no Escolarizado de Educación Inicial* CEI/PRONEI). Its main objective is to prevent malnutrition among children aged 12 and below, pregnant women and mothers in the lactation period, especially those from families living in poverty and extreme poverty or in nutritional vulnerability. The PIN has two components: education and nutrition. The education component aims to modify families' habits in order to improve their way of life and health status. The nutrition component consists of a monthly delivery of a food basket for children under three that supplies them with 70% of the needed quantity of energy and 100% of proteins, iron, vitamins and calcium. Children between 3 and 12 receive food supplements through educational institutions. In 2010, the programme covered 3,832,984 persons and had a budget of US\$ 221,426,433 (ECLAC, 2011c).

(b) The Food Supplement Programme (PCA)

The PCA was also created in 2006, in order to bring food supplements to the population living in poverty and extreme poverty and in health risks situation. It targets children, teenagers, pregnant women or in lactating period living in poverty and extreme poverty, adults at risk, older adults, disabled persons and persons who suffered tuberculosis, providing them a food basket with 200 grams of cereals, vegetables, fat and animal products.⁷ In 2010, the programme covered 336,735 persons (ECLAC, 2011c).

2. The "glass of milk" programme

This programme was implemented in 1983 as a community project driven by poor women living in Lima. In 1985, it became a municipal programme covering the Lima municipality and then passed to be a State programme extended all around the country. The objective of the programme is to reduce food risks, bringing a daily glass of milk (250ml) to vulnerable population. It is oriented mainly to households living in poverty with children under 13 (in particular, those suffering malnutrition and tuberculosis), pregnant women and older adults. It operates in the districts where poverty is more concentrated. In 2008, the programme covered about 3,215,121 persons with a budget of US\$ 124,613,800.

⁷ The food basket is provided twenty times per month to children and women; 25 days per month to adults at risk situation; 26 days per month to children living in shelters; and 30 days per month to patients who suffer tuberculosis.

3. The National *Wawa Wasi* - *Cuna Más* programme

The *Wawa Wasi* programme, implemented in 1993 through the Supreme Decree No. 011-2004-MIMDES, provides daily care for children under four who live in poverty and extreme poverty. It offers integral attention to children through centres managed by “Management Committees” overseen by a “caring mother” from the children’s community, in order to respect the cultural diversity of the Peruvian population. The programme has four components: (i) health: health attention, prevention of illness, nutritional supervision and promotion of health habits; (ii) nutrition: four daily food rations; (iii) early learning, aiming to improve children’s development (on motor, cognitive, social, emotional and communicational aspects); and (iv) improvement of the habitat and security for the *Wawa Wasi* centres.⁸ The *Wawa Wasi* programme covers 24 regions, and in 2011 it attended about 62,138 children. In 2012, the Humala government modified the *Wawa Wasi* and introduced its rural version called *Cuna Más* (Decree 003-2102). *Cuna Más* has also a new component of daytime care for children between 0 and 36 months living in rural and poor areas. For 2012, the *Cuna Más* programme aims to cover over 76,000 children and has a budget of 190 million of New Soles (about 6.8 million US\$) (Trivelli Ávila, 2012).

⁸ For thorough information about *Wawa Wasi*, see *Programa Nacional Wawa Wasi, impactos y logros 2011*.

V. The health sector

Before the health reform of 1997, the Peruvian health system was shaped by the 1978 law that created the National System of Health Services (*Sistema Nacional de Servicios de Salud*). This system was organized around the Peruvian Institute of Social Security (*Instituto Peruano de Seguridad Social*, IPSS), which offered health services throughout the cooperation with private entities. The health system was composed by three public subsystems and a private one: (i) contributory health social insurance (*Seguro Social de Salud*) managed by the IPSS, which covered workers through a tripartite funding; (ii) non-contributory health assistance system, in charge of the Ministry of Health; (iii) army and police forces health system; and (iv) private insurances and clinics (Vidal,Cuadros and Sánchez, 2012).

Currently, the health system —regulated by the General Health Law of 1997— is divided between a universal public health sector —managed by the Ministry of Health— and a private subsector. This law removed the guarantee of overall State funding, and thus the Peruvian State changed its orientation from a “provider” to a “subsidiary” State (Mesa-Lago, 2005).

Since then, one of the major issues concerning the health system in Peru has been the lack of public funding. Social spending on health has a low priority in public social expenditure and is mainly targeted to poor households, trying to ensure access to maternal and older adults’ healthcare. The private health subsector is composed by non-profit institutions (such as NGOs and the Red Cross) and for-profit institutions such as private clinics and health centres.

Health services are managed by the Institutions of Health Services Provision (*Instituciones Prestadoras de Servicios de Salud*, IPRESS). The IPRESS include public, private or mixed health centres (hospital and clinics) registered with the National Superintendence of Health Insurance (*Superintendencia Nacional de Aseguramiento en Salud*, SUNASA). Since the health reform of 1997, the attention of the IPRESS is focused on the coverage of the poorest part of the population and offers mainly access to maternal and older adults’ healthcare.

Indigenous people (especially women) have difficulties accessing health centres and, once they are attended, they receive a discriminatory treatment (Bernasconi, 2006). The National Health Plan for Indigenous People (2009-2012) thus seeks to promote and manage a specific health policy for indigenous people, in order to reduce the gap in terms of access to health. This is done with an

intercultural approach, which means respecting indigenous health practices and recognizing traditional medicine as a component of the health system.⁹

Child health is another critical issue. The immunisation rate of children aged one and below has decreased from 66.3% in 2000 to 51.4% in 2009. This data is worrying, considering that almost half of children under one did not receive basic immunisation coverage. Furthermore, in 2009, 14.1% of children suffered diarrhoea and only 42% of them were attended in a medical centre (INEI, 2007).

Many of these health problems are linked to a deficit in the sanitation and drinking water systems in the country. According to the Ministry of Housing and Sanitation, in rural areas about 3.3 million persons do not currently have access to drinking water and 6.2 million do not have an adequate sanitation system. Accordingly, in 2010, the Peruvian government created the National Programme for Water and Rural Sanitation System (*Programa Nacional para el Agua y el Saneamiento Rural*, PRONASAR) in order to improve sanitation systems in rural areas. This programme, focused on small and poor rural towns,¹⁰ aims to improve the sanitation and water infrastructure and create a local and national policy of sanitation with public and private cooperation. In parallel, the programme promotes hygienic habits among the population.

A. Health insurance

In Peru, health insurance fall under a range of different regimes and institutions. Contributory health insurances are managed by the Institutions for the Administration of Health Insurance Funds (*Instituciones Administradoras de Fondos de Aseguramiento en Salud*, IAFAS). Among the IAFAS there are private sector insurance companies and private health provision entities (*Entidades Prestadoras de Salud*, EPS), as well as public health insurances, such as the Social Health Insurance (“EsSalud”), the Integral Health Insurance managed by the Ministry of Health, and the Army and Police forces health insurance.

The Health Universal Insurance (*Aseguramiento Universal de Salud*, AUS) Law 29344 of 2009 and the implementation in the same year of the new Health Insurance Essential Plan (*Plan Esencial de Aseguramiento en Salud*, PEAS) changed the design of the Peruvian health insurance system. The law established the compulsory nature of insurance and free access to health for all the residents of the country through the PEAS. It also determined the dissociation of the functions of insurance and provision of health services, encouraging the participation of private entities in the health system (Vidal, Cuadros and Sánchez, 2012).

AUS seeks to increase health coverage through the gradual expansion of PEAS benefits and funding. It implements the institutionalisation of the main subsectors—a private sector and an important public insurance sector—that compose the health insurance system. Currently, the PEAS covers 65% of the costs generated by illnesses in the country and 80% of the demand at the first level of healthcare (Ministry of Health, 2012b).¹¹

- (i) The public health insurance system is composed by non-contributory integral health insurance (*Seguro integral de Salud*, SIS), and two contributory insurances: the Social Health Insurance System (EsSalud) and the Police and Army Forces Health Insurance (*Sanidades de las Fuerzas Armadas y de la Policía Nacional*).

⁹ Although this plan will be extended to the whole country, indigenous people in the Amazonian region are a priority, because of their critical situation with respect to maternal and child health. The aim is to cover during these four years approximately 7,000 indigenous communities in 19 out of the 26 regions of Peru.

¹⁰ PRONASAR operates in towns under 15,000 inhabitants in rural areas.

¹¹ The first level provides healthcare to the healthy population, obstetric and gynaecologic care, paediatric care, care for transmissible and non transmissible illnesses as well as for malignant neoplasms. This coverage is expected to be progressively extended (Ministerio de Salud, 2012a).

SIS was created in 2001 to cover the non-insured population, with a specific focus on undernourished children and elderly living in poverty and extreme poverty. It provides basic health supplies such as medical attention and rehabilitation, as well as medicine provision. SIS is the result of the combination of the free School Health Insurance (*Seguro escolar gratuito*) and the Maternal and Child Health Insurance (*Seguro materno infantil*) that existed since 1998 as public insurances. Since 2005, SIS has extended its coverage to young adults over 17 years.

EsSalud is a public contributory health insurance. It is compulsory for wage earners, and covers them and their families. It also covers members of cooperatives from both the private and public sector and independent workers that decide to affiliate. EsSalud offers medical care in case of illness, accidents and maternity, and subsidizes medicines.

The police and army forces health insurance is a contributory insurance whose beneficiaries are the personnel from the army and police forces. It offers medical attention for illness, accidents and maternity. It is funded by Treasury funds.

There are great inequalities in the coverage of services between SIS—which only has a basic medical offer for a wide section of the population—and EsSalud or the police and army forces health insurance—which offer complete medical and maternal health services but only for a small part of the population (Mesa-Lago, 2005)—. With the implementation of the AUS, all the IAFAS (both public and private) have the obligation to finance the Health Insurance Essential Plan (*Plan Esencial de Aseguramiento en Salud* -PEAS). Yet, in the case that the health insurance schemes provided by the IAFAS have better conditions than PEAS, the worker will automatically be affiliated to it (Vidal, Cuadros and Sánchez, 2012).

- (ii) There is also a private health insurance provided by the health provision entities (EPS) created during the health sector reform of 1978. The reform allowed public health insurance funds such as the IPSS to transfer the provision of some health services to the EPS. Later, the 1997 health law allowed the EPS to offer complementary health benefits.

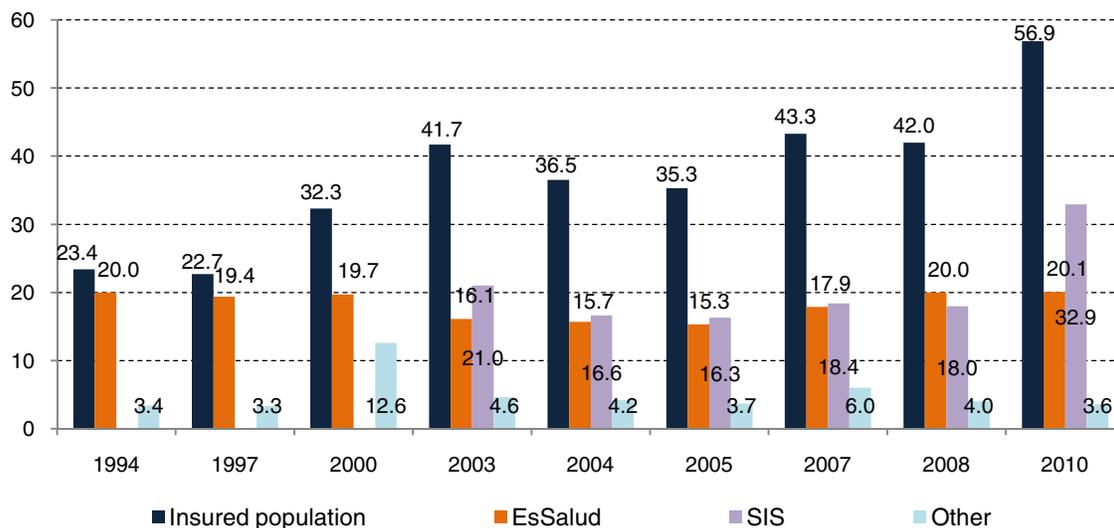
B. Coverage and funding of the health system

Health insurance coverage has improved significantly over the last decade and a half. In 1994, only 23.4% of the population was covered by health insurance. In 2010, for the first time the insured population (56.9%) was greater than the non-insured population (43.1%). This extension of coverage is mainly due to the development of the public and free insurance system (SIS) in 2001. According to the Ministry of Health, in 2010, 32.9% of the Peruvian population was covered by SIS, 20.1% was covered by EsSalud, 0.3% was covered by both (SIS and EsSalud) and 3.6% by a private insurance (see figure 8).

Formal workers are covered mainly by EsSalud, while informal workers mainly remain unaffiliated to health insurance. In 2009, 70.5% of formal workers were covered by EsSalud, while 35.9% of informal workers were affiliated to the public health insurance (SIS) and 9.3% to EsSalud (Gamero Requena and Carrasco, 2011).

Despite progress, four out of ten Peruvians are thus still not covered by any kind of health insurance (see figure 8), and funding of the health system is insufficient and unequal (Ministry of Health, 2012a). Moreover, public health centres are still difficult to access in rural and isolated areas, and the number of non-institutional births and maternal deaths is still very important: in 2009, 17.5% of births were not attended in a medical centre (Ministry of Health, 2012a).

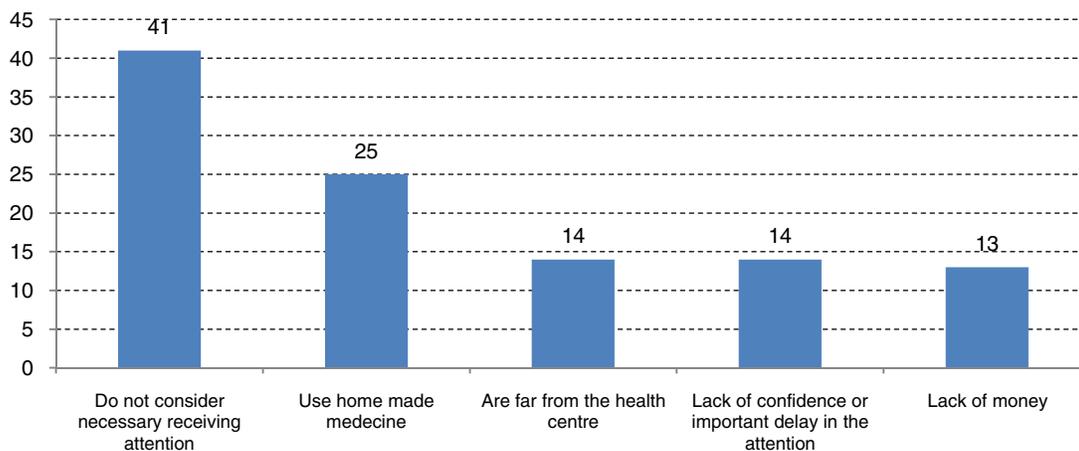
FIGURE 8
EVOLUTION OF HEALTH INSURANCE COVERAGE, 1994-2010
(Percentages)



Source: Own elaboration based on Vidal Bermúdez, Cuadros Luque and Sánchez Reyes, “Flexibilización laboral en el Perú y reformas de la protección social asociadas: Un balance tras 20 años”, *Políticas Sociales series* (LC/L.3444), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC)/German Agency for International Cooperation (GTZ), 2012; and Ministry of Health, 2012, “Statistic Database” [online] <http://www.minsa.gob.pe/index.asp?op=2>.

Moreover, a survey from the MINSA shows that despite the gratuity of care provided through AUS, there are still important access barriers to healthcare services (that concern in particular the scattered populations living in the Amazons and Sierra regions): distance is mentioned as a barrier by 14% of people who do not attend to healthcare services and another 14% mentions lack of confidence or delays in the provision of care (see figure 9).

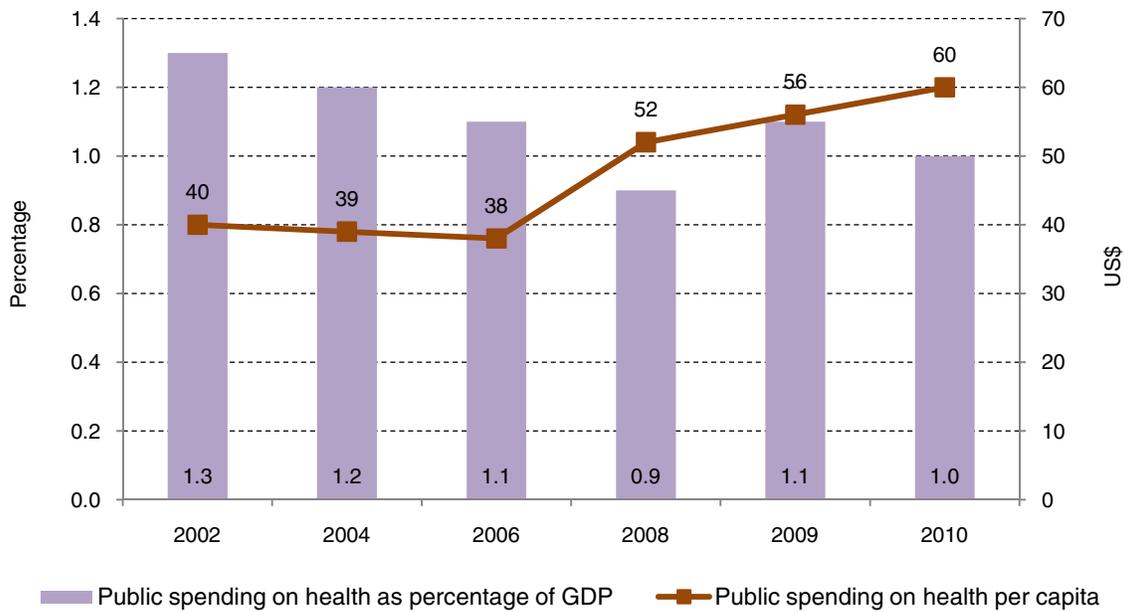
FIGURE 9
BARRIERS OF ACCESS TO THE HEALTHCARE SERVICES, 2010
(In percentages)



Source: Ministry of Health, in *Sistemas de Salud en Suramérica, desafíos para la universalidad, la integralidad y la equidad*; Instituto Suramericano de Gobierno en Salud, UNASUR, May of 2012.

Public health spending in Peru is very low: in 2008, spending on health as percentage of GDP (0.9%) was the second lowest in Latin America, after the Bolivarian Republic of Venezuela (ECLAC, 2012b). In 2010, public spending on health was still only 1% of GDP. Yet, in per capita terms social spending on health has increased from US\$ 38 in 2006 to US\$ 60 in 2010 (see figure 10).

FIGURE 10
PUBLIC SPENDING ON HEALTH, 2002-2010
(Percentage of GDP and constant 2005 US\$)



Source: Own elaboration on the basis of ECLAC, CEPALSTAT [online] <http://websie.eclac.cl/infest/ajax/cepalstat.asp?carpeta=estadisticas>.

VI. The education sector

The education system in Peru is regulated by the Constitution of 1993 and the General Law of Education of 2003. It includes three compulsory levels —pre-primary, primary and secondary (see table 3)— as well as higher education. There is also a special modality for youth and adults who did not complete primary education. Education is decentralized and based on three administrative levels: (i) central, coordinated by the Ministry of Education, setting the main guidelines of education policy; (ii) regional, managed by 26 Regional Directorates of Education; and (iii) local, administered by municipalities.

A. Pre-primary education

Pre-primary education is available to children between zero and six years. The Constitution of 1993 and the General Education Law of 2003 established that the pre-primary level has to be compulsory and free in public pre-primary schools. It is composed by two cycles, the first for children under two years and the second for children between three and five years. It offers public and private nursery schools and kindergartens.

The first pre-primary cycle is focused on child development in terms of identity and individuality, relationship with the environment and bases of communication. The second cycle offers lessons on personal and social development, logic, mathematics and sciences. The school year for pre-primary education is 40 weeks long, and includes 25 hours weekly (900 hours per year).

Specific pre-primary education programmes targeted to children living in marginalized rural and urban areas are available through the non-schooling programme (*Programa No Escolarizado de Educación Inicial*, PRONOEI). PRONOEI consists of flexible educational programmes for children between three and five who cannot assist regularly to pre-school because of their social, geographical and/or economic exclusion. These programmes have a special focus on diversity and intercultural relations and, besides education, offer nutrition and health controls. The school year for PRONOEI is more flexible than that of normal schooling programmes, consisting of about 720 hours yearly and around four hours daily (UNESCO/IBE, 2011).

B. Primary and secondary education

The primary education level is compulsory and organized in three cycles of two years each. It is shaped by the Education Law of 2003, which establishes its aim as the integral education of children between 6 and 11. The areas of teaching are mathematics, science, communication, art, as well as social, personal, physical and religious education. The public primary education system is completely free but there is also a private education system. The school year for primary education is composed by 40 weeks and 30 hours a week of lectures, totaling 1,100 hours a year. However, because of the absenteeism of pupils and teachers, the total number of hours frequently is not fulfilled.

The secondary education level is composed by five compulsory grades organized in two cycles. The first cycle of two years is general, while the second cycle of three years is divided in various specializations (humanistic, scientific and technical). The teaching areas are mathematics, communication, history, geography, economics, citizenship and civic formation, family and human relationship, physical education, religious education, science, technology and labour education. Since 2003, learning a foreign language (English) is compulsory. The school year for secondary education is composed by 40 weeks a year and 35 hours a week, totalling 1,200 hours a year (UNESCO/IBE, 2011).

The alternative primary basic school system for young persons and adults who did not have access to—or did not complete—basic education is more focused on skill improvement for the labour market, and offers literacy programmes.

TABLE 3
ORGANISATION OF THE EDUCATION SYSTEM IN PERU

Level	Pre-primary education		Primary education					Secondary education					
Cycle	I	II	III	IV	V		VI	VII					
Age / Grade	0-2 years	3-5 years	1°	2°	3°	4°	5°	6°	1°	2°	3°	4°	5°
Subjects		Mathematics and logics	Mathematics and logics					Mathematics					
		Integral communication	Integral communication					Communication					
		Personal and social education	Art education					Foreign/native language					
		Sciences	Personal and social education					Art education					
			Physical education					Social sciences					
			Religious education					Personal, familiar and human relations					
			Sciences					Physical education					
								Religious education					
								Science and technology					
								Labour education					
								Tutorship and educational orientation					

Source: UNESCO/IBE, (United Nations Educational, Scientific and Cultural Organization/International Bureau of Education), *Datos Mundiales de la Educación*, 2011.

C. Higher education

The higher education level is not compulsory and is destined to pupils who have completed secondary education. It is composed by universities and non-university education in institutes that offer short and professional courses.

Universities in Peru are currently regulated by the University Law of 1983. There are 36 public universities that are funded by public resources and by students' contributions. Private universities (about 56) are completely funded by students or other private funds.

Non-university higher education is constituted by the institutes and superior education schools of art and technology. According to the Ministry of Education, in 2008, 4.3% of higher education students studied in a non-university institution of technical and vocational education training.

D. Rural and indigenous education programmes

Rural education and schooling have become a priority for Peru. Thus, the government is building infrastructure and implementing programmes specifically focused on the rural population and indigenous peoples. In fact, Peru has a multilingual population (see table 4): besides Spanish, 43 languages are spoken in the Andes region and 40 languages in the Amazonia region.

Hence, bilingual and intercultural education is an important issue for the education system in the country. The aim is to promote the culture of indigenous people, the dialogue between different communities and the respect of indigenous rights. Public education programmes teach the history and languages of indigenous peoples. In 2008, only 32% of children between 3 and 5 years and 38% of children between 6 and 12 years attended an intercultural and bilingual school (Ministry of Education, 2008).

TABLE 4
LANGUAGE DISTRIBUTION IN PERU, 2007^a

	Population	Percentage of total Population	Percentage of population speaking an indigenous language
Quechua (Andes)	3 360 331	13.0	83.1
Aymara (Andes)	443 248	1.7	11.0
Asháninka (Amazonia)	67 724	0.3	1.7
Other indigenous languages (Amazonia)	174 410	0.7	4.3
Total indigenous languages	4 045 713	15.7	100.0
Spanish	21 713 165	84.1	
Foreign languages	21 434	0.1	
Is DubDumb	30 019	0.1	
TotalTTTotal	25 810 331	100.0	

Source: Benavides, Martín; Mena, Magrith y Ponce, Carmen, *Estado de la Niñez Indígena en el Perú*, 2010, [online] http://www.unicef.org/peru/spanish/ENI_2010.pdf.

^a Population above three years old.

E. Quality of education

In terms of the quality of education, Peru faces an important challenge. According to the Program for International Student Assessment (PISA) evaluation of 2009, which focused on reading, around 50% of children aged 15 did not even reach the second of the eight levels that constitute the evaluation.¹² As a consequence, Peru is ranked 62nd out of 65 countries participating in the assessment.

¹² The Lecture Level 2 of PISA corresponds to the level in which “some tasks require the reader to locate one or more piece of information, recognizing the main idea in a text, understanding relationships, or construing meaning within a limited part of the text when the information is not prominent and the reader must make low level inferences. Typical reflective tasks at this level require readers to make a comparison or several connections between the text and outside knowledge, by drawing on personal experiences and attitudes” (OECD, 2010).

The difference in the quality of education between the public and the private sector is quite important: the rate of repetition in the public sector is nine (for primary education) and six times higher (secondary education) than in the private education sector. In 2008, the rate of school desertion was three times higher in public than in private schools (UNESCO/IBE, 2011).

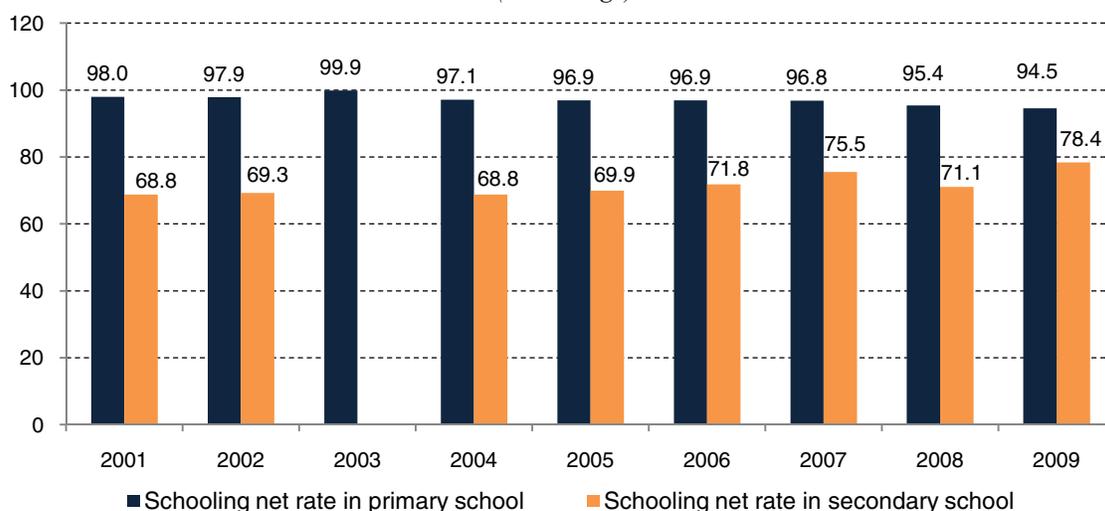
F. Coverage of the education system

Peru (together with Chile and Argentina) is one of the countries that have the highest primary and secondary school attendance rates of Latin America (UNESCO/IBE, 2011). It also has an almost universal coverage of primary education (94.1% net attendance in 2009) but not in secondary education (78.3%) (see figure 11). Since 2005, the primary enrolment rate has been slowly decreasing, while the secondary school enrolment rate has been increasing. In both cases, the higher deficits in terms of enrolment exist in rural areas.

Moreover, school dropout is high in primary education —especially in the second and third grade, with rates of 14.5% and 11.6%, respectively, in 2007— and only 4% of children between 0 and 2 and 66.2% of children between 3 and 5 attended pre-school in 2008 (UNESCO/IBE, 2011).

The private sector has quite an important coverage, especially at the pre-primary level and in higher education. In higher education, the attendance rate in the private sector reaches 60.6%, while about 39.4% attends universities or institutes in the public sector. However, the public sector is still the main provider at the primary education level: in 2009, the attendance rate of primary education pupils at private schools was about 25%, while in the public sector it was about 75% (SITEAL, 2011).

FIGURE 11
NET ENROLMENT RATES IN PRIMARY AND SECONDARY SCHOOL, 2001-2009
(Percentage)



Source: Own elaboration on the basis of ECLAC, CEPALSTAT [online] <http://websie.eclac.cl/infest/ajax/cepalstat.asp?carpeta=estadisticas>.

Despite the efforts for universalising the access to education, there are important inequalities with respect to the pupils' household income. According to INEI, in 2009, the percentage of the population aged 20-24 that ended primary education was 78.8% for the first quintile and 99.4% for the fifth quintile of the income distribution. At the secondary level, this rate was 37.9% for the first

quintile and 93.6% for the fifth quintile. Finally, only 5.4% of pupils from the first income quintile accessed higher education, while 50.7% in the fifth quintile did so.

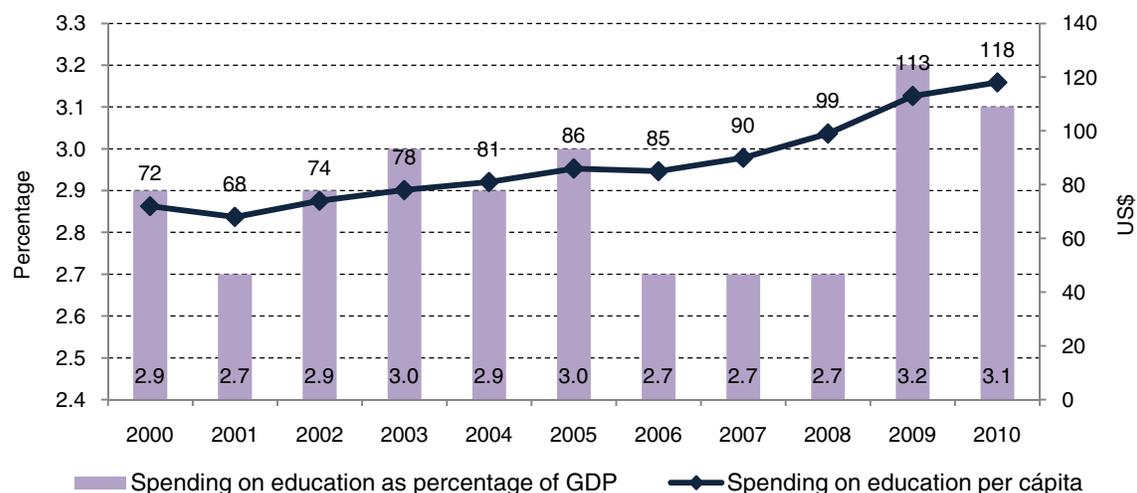
Schooling rates are quite equal between men and women: in 2009, they stood at 94.4% in primary school and 78.4% in secondary school for men and at 94.7% in primary school and 78.3% in secondary school for women. However, gender inequalities appear in terms of illiteracy rate, which in 2010 was higher for women (2.5%) than men (1%). This is caused by the different schooling rates between men and women in the past: in 1970, the schooling rate for men stood at 81.3% in primary school and at 74% for women; in 1981, these rates were respectively 93.1% and 89.1% (ECLAC, 2012b). Furthermore, inequalities in illiteracy rates exist depending on ethnic origins: in 2007, 7.2% of the Peruvian population was illiterate, but the rate for indigenous peoples was more than double (15.5%) (ECLAC, 2011b).

G. Social spending on education

Education is the second highest sector of social spending in Peru. In the last ten years, spending on education has increased from 2.9% of GDP in 2000 to 3.1% in 2010 and —thanks to the high rates of economic growth— from US\$ 72 per capita in 2000 to US\$ 118 in 2010 (see figure 12).

Yet, the low level of public spending on education in Peru (compared to other Latin American countries) creates several problems in terms of quality of teaching and infrastructure. In Peru, families contribute to 32% of the total funding of primary education and 30% of secondary education, even if these levels are supposed to be free (Saavedra and Suarez, 2002; Calónico and Ñopo, 2007). This contributes to accentuate inequalities not only between private and public schools but also within public schools, where the poorest cannot bring private resources to fund their education (Vásquez, 2007).

FIGURE 12
PUBLIC SPENDING ON EDUCATION, 2000-2010
(Percentage of GDP and constant 2005 US\$)



Source: Own elaboration on the basis of ECLAC, CEPALSTAT [online] <http://websie.eclac.cl/infest/ajax/cepalstat.asp?carpeta=estadisticas>.

VII. The protection of employment

The very high rates of labour informality in Peru —especially among women in both urban (68%) and rural areas (92%)— and, to a lesser extent, of unemployment—in particular for young people (12.9% in urban areas)—, have serious economic and social consequences (see section II).

Formal workers are covered by unemployment insurance (*Compensación por tiempo de servicio*, CTS), which is funded by contributions from employees and employers. Furthermore, the country has a compulsory minimum salary (750 soles, or US\$ 282, in 2012). However, these instruments are not available for the majority of workers who are in the informal sector (World Bank, 2010).

As a consequence, Law No. 28,015 of 2003 (known as *Ley MYPE*) tried to promote the formalization of small and medium enterprises (SMEs), establishing a lower-cost labour regime for temporary workers in these enterprises. SMEs workers have the right to receive the minimum wage, to have a decent labour schedule with 15 days of holydays per year, and affiliation to health insurance (in charge of the employer). The law, however, established that affiliation to a pension system was not compulsory.

An evaluation of the impact of this Law made in 2008 showed that the percentage of workers who earn more than the minimum wage has not improved, but that there had been significant progress in terms of the number of workers affiliated to health insurance (Farné, 2009). Yet, the rising costs for SMEs had the effect that many of them did not register officially to avoid fulfilling these obligations.

In 2008, the SME Law was modified through the Decree No. 1086, which redefined the criteria to classify small enterprises¹³ and strengthened workers' rights and protection, making compulsory health insurance and pension coverage for micro and small enterprises' employees.¹⁴ These decree also created the Social Pension System (SPS) (see section III.A) in order to protect workers from micro enterprises who are not covered by any pension system.

¹³ For an enterprise to be classified as “small”, it has to have between 1 and 100 employees (before it was from 1 to 50 employees) and annual sales up to a maximum of 1,700 Unidades Impositivas Tributarias (UIT), about US\$ 2.2 million. Micro enterprises are those with 1 to 10 employees and annual sales up to a maximum of 150 UIT, about US\$ 200,000.

¹⁴ The contributions of employers and employees are established in the Law No. 26790 for health insurance, Decree Law No. 19990 and Supreme Decree No. 054-97-EF.

In order to face difficulties related to situation of employment in the country, the Peruvian government has also implemented temporary employment, youth employment, training and productive programmes, such as *Trabaja Perú*, *Jóvenes a la obra*, *Vamos Perú* and *Mi Chacra Productiva*.

A. The productive programme for social emergency, *Trabaja Perú*

The *Trabaja Perú* programme was created by the Emergency Decree No. 130-2001 in 2001. It was first called "*A Trabajar Urbano*", then in 2007 it changed its name to *Construyendo Perú* and in 2011 it became *Trabaja Perú*. It is currently managed by Ministry of Labour and Employment Promotion (*Ministerio del Trabajo y de la Promoción del Empleo*). Its main objective is provision of employment and capacity development for the unemployed population in urban and rural areas, focused on areas with high poverty and extreme poverty rates. *Trabaja Perú* specifically focuses on: (i) employment creation for the unemployed population, through funding of service and construction projects that require an unskilled labour force; (ii) development of training activities for programme beneficiaries, in order to improve their employability and labour insertion; (iii) direct execution of the programme, or through cooperation agreements with other State entities.

The programme targets mainly unemployed parents who have at least one child aged less than 18. Yet, 25% of beneficiaries are young people between 18 and 29 who have no children but are in charge of older adults or minors, or are in poverty situation.

Between 2006 and 2011, the programme covered 835,664 persons —of which 380,441 found a temporary job and 4,393 were inserted in the labour market. The total funding of the programme for 2007-2012 was US\$ 218,794,344, completely provided by the State.

B. The special programme for labour reconversion, *Vamos Perú (ex Revalora Perú)*

In 2009, the Peruvian government created the Special Programme for Labour Reconversion, *Vamos Perú*, to promote employment among the low-qualified and investment in the agro-industry, textile, forestry, mining and industrial sectors. *Vamos Perú* is the continuation of the previous *Revalora Perú* programme. This programme offers three main services: (i) labour training and promotion of self-employment; (ii) linking programme beneficiaries with companies that need staff; (iii) technical assistance for SMEs in their productive labour reconversion. The programme offers free three to six-week long courses for the unemployed and a job at the end of training. The classes are given by public or private education institutions in the areas of electricity, mechanics, hotel management, administration, informatics, heavy machinery, construction, food industry, textile and since 2010, also gastronomy and self-employment.

This programme is destined to unemployed persons (former wage earners or independent workers) who have lost their job in the private sector after 2008. It focuses on regions more affected by unemployment and poverty, although the goal is to cover the entire country (Verdera, 2009). In 2009, the programme reached 13 regions (Lima, Lambayeque, Cajamarca, Piura, La Libertad, Ancash, Loreto, Ucayali, Junín, Ica, Pasco, Arequipa and Cusco) and covered about 15,000 persons, mainly men living in Lima and Callao (50% of the beneficiaries).

C. The national programme for youth employment, *Jóvenes a la obra*

Jóvenes a la Obra is a programme created in August 2011 by the Ministry of Labour and Employment Promotion to improve training of young people in specific labour activities, according to labour market demand. It mainly focuses on agronomy, trade, construction, industry, fishing, services, transport and communications. It also offers management courses on self-employment. It is targeted to young people aged between 15 and 29, who are unemployed or live in poverty and extreme poverty, in both urban and rural areas. In urban areas, the programme works on training and labour insertion to promote wage-earning and independent jobs. In rural areas, it is more focused on training for independent jobs and the promotion and implementation of productive and economic development activities. In 2012, the budget of *Jóvenes a la Obra* was US\$ 8,290,422, covering 12,240 persons.

D. The programme *Mi Chacra Productiva*

Mi Chacra Productiva was created in 2009 and is managed by the Ministry of Social Inclusion and Development. Its main objective is to promote the productive capacities and economic inclusion of rural families who live in poverty and extreme poverty —with a special priority on *Juntos* beneficiaries—, in order to increase the incomes of its beneficiaries through their inclusion in the labour market.¹⁵

Mi Chacra has implemented 77 projects covering 6,592 households in rural areas, in particular in the Andean regions of Apurímac, Ayacucho, Cusco, Huancavelica and Junín. The programme had a budget of US\$ 3,513,939 in 2011.

¹⁵ The programme implements the following activities: (a) pressurized irrigation infrastructure; (b) development of vegetable gardens; (c) common pasture plots, (d) mini plots for the production of grains and tubers; (e) agriculture and forest; (f) organic fertilizers; (g) hen and chicken breeding; (h) guinea pigs breeding; (i) kitchens improvement; (j) safe and drinking water (Foncodes, 2011).

VIII. Final remarks

In the past decade, Peru underwent great economic and social changes. The country experienced fast economic growth, which was accompanied by increased social policy efforts. Indeed, since the 2000s, the Peruvian State has adopted important innovations for the provision of basic social services in the areas of health and food security, education and housing. Efforts have also been made to develop and expand poverty reduction programmes, such as *Juntos*, as well as non-contributory social pensions for elderly living in poverty.

The country has had good results in terms of the reduction of poverty and, to a lesser extent, income inequality —although their levels remain quite high—, and the expansion of health and education services. Access to public health services has improved with the execution of the free public health insurance (Health Integral Insurance, SIS). Primary and secondary schooling rates have improved since the 1970s and are now quite high, in particular at the primary education level.

However, the importance of labour informality and of geographical differences continues to shape the unequal access to social services and to social protection in the country. Public services still lack adequate funding and remain of poor quality, especially in comparison with those provided by the private sector. SIS offers only basic healthcare of deficient quality —in terms of waiting time, medical attention and access, especially in rural areas—, while the contributory sector, and in particular the EsSalud, provides quality health attention. A similar observation can be made regarding public education, which has quality deficiencies —as shown the PISA assessment of 2009—, while the private sector shows better results. Furthermore, basic public social services have a low coverage in rural areas, which are also the poorest.

Improvements in social indicators such as poverty and income inequality thus do not necessarily mean that Peru has overcome all the challenges in terms of social protection, especially with respect to guaranteeing universal access to public services and enhancing the quality of services.

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This report is part of a series of national case studies aimed at disseminating knowledge on the current status of social protection systems in Latin American and Caribbean countries, and at discussing their main challenges in terms of realizing the economic and social rights of the population and achieving key development goals, such as combating poverty and hunger.

Social protection has emerged in recent years as a key concept which seeks to integrate a variety of measures for building fairer and more inclusive societies, and guaranteeing a minimum standard of living for all. In particular, social protection is seen a fundamental mechanism for contributing to the full realization of the economic and social rights of the population—to social security, labour, the protection of adequate standards of living for individuals and families, as well as the enjoyment of greater physical and mental health and education.

Albeit with some differences due to their history and degree of economic development, many Latin American and Caribbean countries are at now the forefront of efforts to establish these guarantees by implementing various types of transfers, including conditional cash transfer programmes and social pensions, and expanding health protection. One of the key challenges that the countries of the region face, however, is integrating the various initiatives within social protection systems capable of coordinating the different programmes and State institutions responsible for designing, financing, implementing, regulating, monitoring and evaluating programmes, with a view to achieving positive impacts on living conditions.

