

Résumé:

**El paraíso en la otra esquina. The discrepancy between economic growth and poverty in Peru.**

by  
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After massive economical shifts and inflation in the late eighties and early nineties, Peru started steady and strong economic growth in the mid nineties. However the economic growth did not translate into a reduction of poverty, despite the positive development on a macro level. This thesis investigates underlying reasons for the mismatch and tries to offer own solutions on how to better harmonise economic and social development.

The first chapter discusses recent streams in the developmental debate. It is argued that the traditional view that economic growth leads automatically to poverty reduction is insufficient and growth combined with redistributing interventions is suggested to be a more effective means to fight poverty. The concept of Pro-Poor-Growth (PPG) has become central in this debate.

The second chapter therefore deals with the question how PPG strategies can lead to growth and redistribution in a way that poorer segments of the society are able to profit from welfare gains. Macroeconomic stability and fiscal policy, the regional and sectorial composition of growth, the educational system and social expenditures as well as “good governance” are defined as influencing factors and crucial instruments to create a more inclusive pattern of growth.

Based on these findings, chapter 3 and 4 investigate the particular situation in Peru. Chapter 3 gives a comprehensive overview over the economic and social developments of the last 15 years. It becomes evident that despite a 60% growth of the GDP, the poverty level still remains around 55% of the population, about the same percentage than 15 years ago. The absolute number of poor has even increased by 20% as the Peruvian population has grown. The most common measure of inequality, the Gini-Coefficient, reflects a similar development. With a value of 0.49 it is even somewhat higher than in the early nineties. In the late nineties, inequality and poverty could be slightly reduced for some time; however these positive effects had been reversed in the following years.

Based on the identified factors of influence in chapter 2, chapter 4 then investigates why there has not been a more significant improvement of the social conditions in Peru. It is shown that particularly the stabilization of prices and the increase in social expenditure in the late nineties contributed to the meantime reduction of poverty and inequality. Unfortunately these improvements were not sustainable. The impressive economic growth of the last years could not add to this positive development. The overall growth rate can be attributed especially to high growth rates of the exports in the mining sector. However the mining sector only employs 2,5% of the Peruvian population, thus it did not create considerable employment opportunities and did not improve the situation of the poor. Additionally, the mining sector benefits from several tax privileges that had been introduced in the nineties to stimulate foreign investments and therefore the gains have not improved the income base of the Peruvian government (and thus did not lead to higher social expenditures). A positive but unfortunately only punctual development could be observed in some regions where a prosperous agricultural sector could develop and reduce poverty significantly (e.g. in the region of Ica, the poverty rate could be reduced from 46,7% to 29,2% within 4 years). Looking at the educational system, which has been identified as the most important factor to reduce inequalities in the long run, it can be seen that investments have not been sufficient. Differences in quality between public and private school, between the level of education in rural and urban areas as well as between boys and girls remain high. At the political stage, the lack of participation of the poor prevents that their needs are sufficiently incorporated into national policies.

Concluding it can be said that the lack of focus on poverty reduction of the social, educational and economic policies has contributed to an economic growth, which favours mainly the economic elites as well as foreign investors and leaves out large parts of the society. In order to reduce poverty more effectively in the future, strong emphasis has to be placed on poverty reduction on all levels of politics and society. Measures which stimulate growth have to be granted especially to labour intensive sectors which generate employment for low qualified manpower and thus allow poor people to participate in the welfare gains. In the coastal areas, an export-led agricultural industry seems to be promising as seen in the region of Ica. For the Andean and Amazonian regions of Peru an agricultural industry geared towards the national market appears more adequate as the lack of infrastructure, long distances

to ports and geographical peculiarities would hinder the development of an export-led industry. By redesigning the tax system and eliminating tax privileges for foreign investors, other – less labour intensive- growth sectors as the mining industry could also contribute to a more equal society by generating public revenue which in turn could be invested in education and health.

To create the base for sustainable poverty reduction and less inequality in the long-run, reforms in the educational sector are of outmost importance. These reforms should comprise among others a rescheduling of expenditures from higher education to primary and secondary education; more attention should be given to flexible school models for children who need to work beside school and the reputation of teaching staff has to be improved so that more qualified person can be found for this important employment.

Finally, on the political level, the participation of the poor has to be strengthened in order to assure that their needs are incorporated into national policies. A better decentralisation seems to have great potential to reach this goal as regional and local governments draw more attention on the needs of the different regions and they are closer to their constituencies, thus they better know about specific regional requirement.