

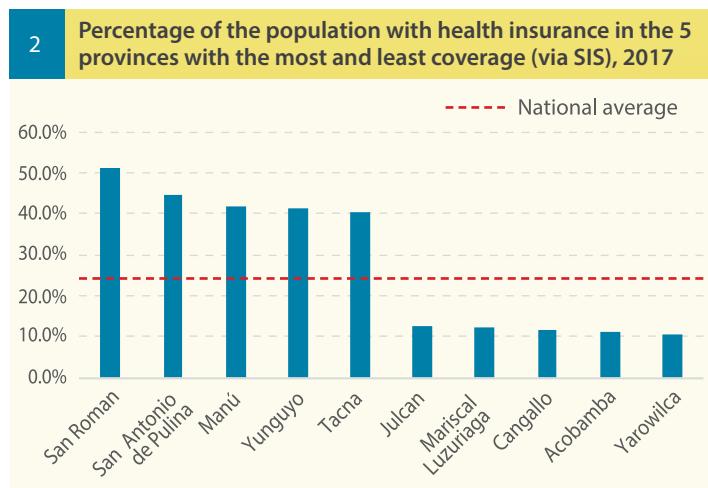


FINANCING A JUST RECOVERY TO ACHIEVE THE SUSTAINABLE DEVELOPMENT GOALS

Behind a facade of economic success, Peru hides deep multidimensional inequalities which jeopardize achievement of the 2030 Agenda. COVID-19 will increase the gaps in enjoyment of rights like health and education. Despite having taken prompt, decisive action when confronted with the pandemic, Peru sits alongside Chile as the country in the region with the largest number of registered deaths per million residents due to COVID-19. The historically weak revenue-raising capacity of the Peruvian State and the low priority which has been given to social spending in a context of grave socioeconomic injustice, as well as dependence on an unsustainable and inequitable model of development, are key factors to understanding the current situation. Only with far-reaching, redistributive tax reforms will Peru be able to achieve the SDGs.

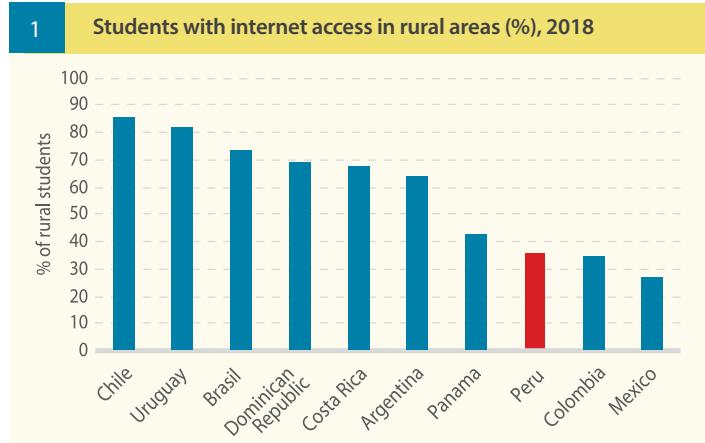
ECONOMIC GROWTH HAS ONLY BENEFITED THE FEW, AND THE PANDEMIC IS AGGRAVATING INEQUALITIES. Despite years of sustained economic growth, Peru is confronting a serious social fracture. It is estimated that only six families have accumulated the same wealth as 8.2 million people ([Alarco & otros, 2019](#)). In 2019, poverty rates among the population with an Indigenous first language was nearly double (30.5%) that of those who speak Spanish as their first language (17.6%). In rural areas, speakers of Indigenous languages face a poverty rate of 42.5% ([INEI, 2020a](#)). Peru is the country in Latin America with the biggest income inequality per capita among regions, and there has been very little progress in closing these gaps in recent years ([ECLAC, 2018: 162](#)). These striking inequalities are also clear in access to quality basic goods and services, which could aggravate existing disparities in the context of the pandemic. Furthermore, these services are not adequately sensitive to the cultural and linguistic needs of Indigenous populations. An example is what is occurring with the realization of the right to education and implementation of SDG 4. According to the Evaluación Censal de Estudiantes (ECE) of 2019, an official test for assessing learning achievements, only 11% of 4th grade students in rural areas achieved “satisfactory” levels in reading, in contrast to 37% in urban areas ([Ministry of Education, 2020](#)). In addition, in 2015 Peru had one of the [highest rates of child labor](#) in South America: almost 2 million children and adolescents work (26.1% of the total), of which more than half (52.3%) are in rural areas. These disparities could be aggravated because of the low rates of internet access among students in rural areas, which could impede their learning during the suspension of in-person classes during the pandemic (see Graph 1).

SOCIAL RISK FACTORS ARE GETTING WORSE AND DISPARITIES BETWEEN REGIONS ARE VAST. The Social Vulnerability Index – based on 23 multidimensional indicators – increased slightly between 2016-18, showing a stagnation in social progress ([CEPLAN, 2020](#)). Despite overall progress in aggregate indicators, Peru has the worst territorial disparities in progress towards the SDGs in Latin America ([RIMISP, 2020](#)). For example, the population without health insurance at the national level decreased from 57% to 24% between 2007 and 2017. This hides the fact that in some provinces, for example in San Román en Puno, more than half of the population still has no health coverage (while other provinces are close to universal coverage with the public health insurance scheme, Seguro Integral de Salud [SIS]).



Source: INEI, 2018: 19

SPECIFIC POPULATION GROUPS HAVE BEEN LEFT BEHIND. Certain groups confront stagnation or setbacks in their enjoyment of rights, a fact hidden by the indicators of average overall progress. Territorial disparities intersect with inequalities on the basis of gender and age. This is especially serious with respect to SDG 1 on poverty and SDG 3 on health. Within these goals, there are huge gaps in poverty rates by gender, and in infant mortality between regions ([RIMISP, 2020](#)). So, for example, the sustained reduction in infant mortality at the national level since 2013 hides the increases in departments such as Tumbes or Huánuco, where the rates are practically double that of Lima ([INEI, 2020b](#)). The same has occurred with the maternal mortality rate, which fell at the national level between 2014-16 from 73 to 64 deaths per 100,000 births, showing that Peru has already

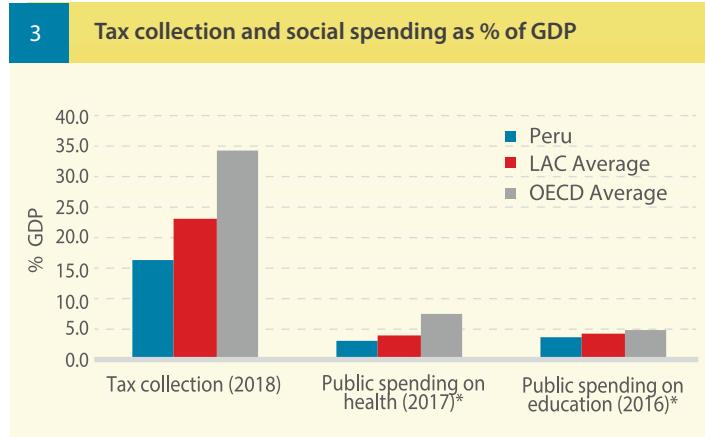


Source: [Rieble-Aubour and Viteri \(2020\)](#), based on PISA (2018)



achieved the goal fixed for 2030. However, this “success” hides that, for example, in the Amazon department, this indicator increased from 113 to 168 deaths per 100,000 live births ([RIMISP, 2020](#)).

THE PROMISE OF THE 2030 AGENDA HAS YET TO BE REFLECTED IN RESOURCES. Although Peru has put in place some promising policies for closing socioeconomic disparities, those policies require much more financing. In relation to education, for example, Peru has a policy of “Intercultural Bilingual Education (“Educación Intercultural Bilingüe,” or EIB) which represents an important step for closing disparities in educational achievement along ethnic lines and for preserving the cultural diversity of the country. After a period of improvement in the relevant institutions and budgets, in 2016 EIB multi-teacher schools (with a teacher for each grade) showed results superior to mainstream schools. However, as of 2018 budget cuts to this policy have been reflected in a deterioration of the ECE test results in EIB schools ([CESR, 2019](#)). Another obstacle to the development of quality EIB is the weakness of the training offered to teachers of this specialty, as indicated by the [Defensoría del Pueblo](#) or Public Defender. Currently there is a deficit of 20,456 teachers trained in EIB. With regard to health, Peru has designed plans to overcome the excessive centralization of the healthcare system in the coastal region, for example, in cancer treatment services. Specialist evaluations warned that the budget would have to be increased in order to meet the planned targets ([Vidaura & others, 2017](#)). However, the reality has been the opposite ([CESR, 2019](#)). The weak revenue collection capacity of the Peruvian state and the very limited redistributive capacity of the tax system, combined with the low priority given to social spending, are erecting barriers to the realization of human rights and sustainable development (see Graph 2).



Source: [OECD, 2020](#) & [World Bank*](#)

AN UNPRECEDENTED MOBILIZATION OF RESOURCES IS NECESSARY IN ORDER TO RESPOND TO THE CRISIS AND ASSURE A SUSTAINABLE RECOVERY. Although the Peruvian government has adopted an emergency stimulus package of a larger scale than other countries in the region, it hasn't been able to overcome the precarity

of the health, education and sanitation systems. Nor has it been able to provide the basic minimum funding necessary for all. It remains an urgent necessity to allocate further resources to the health system in order to guarantee the highest available standard of healthcare for all. In addition to this, more resources are needed to extend the reach of programs, such as the distribution of tablets with internet connectivity for households in rural areas of the country, complemented by greater investment in adapting education in rural areas to new digital technologies, in order to help close the digital divide. The commitment to effectively mobilize resources to protect rights at risk and achieve the SDGs should prompt examination of a variety of progressive financing options. These should include progressive direct taxes; taking robust action to tackle tax avoidance and evasion within the country and in offshore tax havens and in cooperation with other governments; attaching conditions to business bailouts which will help catalyze a transition towards a more sustainable economy; and the elimination of unnecessary tax incentives ([CESR, 2020](#)) ([Oxfam Perú, 2020](#)). With even just this last measure, for example, the State could increase by 12 times [the resources](#) which it dedicates each year to fight cancer, the primary cause of mortality in Peru.

RECOMMENDATIONS:

- Adopt an intersectoral policy strategy to meet the SDGs, which clearly incorporates a gender and intercultural focus.
- Consider the adoption of a “solidarity tax” on wealth and on excess profits of companies reaping extraordinary rewards (including the digital economy) in order to respond to the crisis.
- In the medium term, enact structural reforms to the tax system to strengthen the taxation of wealth and capital gains.
- Tackle tax avoidance and evasion, through the application of the Anti-Avoidance Norm and other more ambitious measures, such as the creation of a registry of beneficial ownership of corporations.
- Strengthen tax cooperation and put forward a group position in international negotiations in order to put an end to the “race to the bottom” in corporate taxes.
- Prioritize resources for the strengthening and decentralization of health services, and for the closure of digital divides, including greater connectivity in rural areas, and particularly among Indigenous communities, and in communities living in poverty in urban areas.

This factsheet was prepared by the **Center for Economic and Social Rights (CESR)**, the **Colectivo Equidad y Diversidad Cultural** and the **Grupo Nacional de Presupuesto Público (GNPP)** on the occasion of Peru's Voluntary National Review before the 2020 UN High-Level Political Forum on Sustainable Development. It is based in large part on the CESR report [“Resources Restricting Rights: Fiscal Policy, Inequality and Social Rights in Peru.”](#)