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# Investing in rural people in **Peru**

## **The face of poverty in Peru is young and rural**

Peru has made great strides in poverty reduction over the past decade, leading to a significant decline in the national poverty rate from 42.4 per cent in 2004 to 20.7 per cent in 2015. Nevertheless, by 2016 the gap between rural and urban poverty had tripled, at 44 per cent versus 14 per cent. Income inequality among Peruvian households remained virtually unchanged between 2004 and 2015. The most salient result is differential access by urban and rural people to education, health care, financial services and productive assets.

Among those living in poverty and extreme poverty, 83.6 per cent are farmers. More than 50 per cent of extremely poor households have indigenous origins. Informality, precarious working conditions and vulnerability to disasters and climate change risks are widespread, particularly for women and children. The gender gap is evident in high illiteracy rates among farming women. In 2012, 28 per cent of women farmers still had no schooling whatsoever, compared to just 9 per cent of male farmers.

In addition, the chronic malnutrition rate among children under 5 is three times higher for children of indigenous origin than for urban children of other origins. Young people are not any better off, as they face poverty rates higher than 50 per cent in the 15 to 19 age bracket. A lack of opportunity has accelerated migration by rural youth to urban centres.



## Eradicating rural poverty in Peru

The International Fund for Agricultural Development (IFAD) works in close collaboration with the Government of Peru to help rural people boost their incomes, become more food-secure and transform their communities in a sustainable and inclusive manner.

As a specialized United Nations agency dedicated to eradicating rural poverty and hunger, IFAD has set the following objectives for its operations in Peru:

- Increase returns on resources available to smallholder producers and their access to financial services;
- Strengthen the development of local services markets and build the capacity of rural inhabitants to contract directly for the technical assistance they need;
- Promote urban-rural linkages to deepen ties between campesinos, artisans and microentrepreneurs; and
- Have communities participate directly in decision-making on resource allocation in accordance with their needs.

## IFAD strategy in Peru

IFAD has had a presence in Peru since 1980. Since then it has granted loans for a total of US\$170 million, mobilizing an additional US\$186 million from other financing sources, for a total investment of US\$356 million benefiting more than 186,000 Peruvian families.

IFAD collaboration in Peru has featured innovative approaches that have then been scaled up under national policies and replicated in other countries such as Bolivia, Colombia, Ecuador and Viet Nam.

Empowerment and social inclusion mechanisms include the following:

- Public competitions to provide organized communities with access to the resources they need to carry out commercial enterprises or territorial management plans;
- Local resource allocation committees, comprising various multisector actors from the locality, to ensure that the transfer of funds to winning bidders takes place in a transparent, equitable and participatory way;
- Awards for innovation and conservation of traditional knowledge to promote innovative initiatives encompassing gastronomy, ecotourism, organic vegetable production and trout farming, among others;
- Savings incentives, giving rural women and young people access to savings accounts and other financial services;
- Direct cash transfers to communities to contract technical assistance to meet their own needs; and
- Promotion of young talent, to develop a critical mass of specialists and local leaders who are transforming their rural environment.

## Current operations



Currently IFAD has an investment portfolio in Peru in the amount of US\$60 million, comprising US\$48 million in loans and US\$11.8 million in grants, targeting 91,450 beneficiary rural families.

### Strengthening Local Development in the Highlands and High Rainforest Areas Project

This project supports a range of rural initiatives, both territorial management plans and business plans, which are managed by the people themselves. In this way the project seeks to build organizational and entrepreneurial capacities among men and women to raise their incomes and improve their quality of life. The project has a total cost of US\$36 million, and IFAD has provided a loan for US\$20 million. The executing agency is the Ministry of Agriculture and Irrigation's AGRORURAL Programme. Participating in this initiative are 85 districts belonging to the regions of Amazonas, Cajamarca, Lima and San Martin, and the beneficiaries include 38,285 rural people.

### Public Services Improvement for Sustainable Territorial Development in the Apurimac, Ene and Mantaro River Basins

The objective of this project is to increase the human, social, natural, physical and financial assets of 50,000 poor rural families living within the territorial area of the Apurimac, Ene and Mantaro river valleys. The project is being implemented by the Ministry of Agriculture and Irrigation and has an IFAD loan for US\$28.5 million. The total project cost is US\$46 million.



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IFAD has invested in rural people for 40 years, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided US\$19.7 billion in grants and low-interest loans to projects that have reached about 474 million people. IFAD is an international financial institution and a specialized United Nations agency based in Rome – the UN’s food and agriculture hub.

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