



©IFAD/Cesar Ascención Huamán Sopla

Enabling poor rural people to overcome poverty in **Peru**

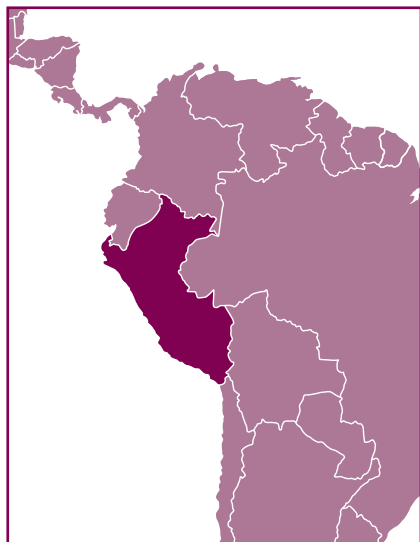
Rural poverty in Peru

Peru is a middle-income country with a growing gross domestic product. It ranks 77th out of 187 countries on the United Nations Development Programme's 2012 Human Development Index – a comparative measure of life expectancy, literacy, education and standards of living for countries worldwide.

According to government statistics, less than a third of the Peruvian population now lives below the national poverty line, compared with around half in the early 2000s. Nevertheless, about 8 million people remain poor, and poverty is deepest among people of indigenous origin living in remote rural areas. In fact, the national rural poverty rate is over 50 per cent, with 20 per cent of people in the Sierra region considered extremely poor.

Lack of opportunities for rural people has caused a massive migration to urban centres, where market activity offers greater livelihood options. Today, three out of four Peruvians reside in and around urban areas.

But while both urban and rural poverty affect Peru, food insecurity is chronic in rural regions, where many smallholder farmers produce basic food crops at a subsistence



level. For this reason and others, people born in Lima can expect to live almost 20 years longer than those born in the southern highlands.

Rural poverty in Peru has its roots in:

- High rates of illiteracy, particularly among women
- Lack of essential services, such as education and electrical power
- Insecure rights to land, forests and water
- Inadequate agricultural research, training and financial services
- Ineffective animal and plant health services
- Poor transportation infrastructure and marketing systems
- Lack of well-defined territorial organization and planning.

The poorest of the poor in Peru are in the arid Andean highlands, where a large majority of the indigenous Quechua and Aymara communities live below the poverty line. Women are the worst affected. Most rural women are poor or extremely poor, even as they play a central role in the subsistence economy. Women work in agriculture, tend livestock and engage in income-generating activities, representing as much as 80 per cent of a family's labour force. Through these productive activities – along with traditional household tasks and child care – women make it possible for their husbands to migrate in search of temporary work.

Eradicating rural poverty in Peru

Despite the many economic and social challenges facing poor communities in Peru, the number of people living in poverty dropped by almost one quarter from 2001 to 2010, and the government has pledged to reduce overall poverty by another 10 per cent in the next decade. From 2002 through 2012, Peru saw average GDP growth of 6.4 per cent per year, against a historical backdrop of political violence, social instability and economic vulnerability. Still, rural poverty rates remain disproportionately high.

The lead agency responsible for agriculture and rural development in Peru is the Ministry of Agriculture. Its mandate is to reduce poverty and improve living conditions in rural areas by integrating small-scale growers and subsistence *campesinos* into the marketplace. To help smallholder producers achieve greater profitability and a competitive edge, the government supports them in terms of natural resource management, quality control, technology transfers and increased productivity.

Specifically, Peru's strategy to combat rural poverty in recent years has aimed to:

- Strengthen the competitiveness of small producers and members of the Andean and Amazonian indigenous communities in order to increase employment and income levels
- Increase the profitability of available resources
- Contribute to household food security and nutrition
- Build smallholders' capacities to take advantage of market opportunities.



The strategy pays particular attention to water management, local and foreign market access, and agricultural research.

Peru provides a model of market competition working in tandem with socially inclusive rural development policies, including investments in indigenous peoples and small-scale farmers, as well as opportunities for women and young people. These target groups are key to sustainable agriculture and climate change mitigation. But the first step is to help them make the transition from subsistence farming to rural entrepreneurship.

Under the country's Local Resource Allocation System, small-scale farmers are able to oversee funding for technical and other assistance to rural development projects. In the process, they become the drivers of their own development. This demand-driven approach, which ensures long-term sustainability for project investments, has been replicated in a variety of contexts.

The government's investment in rural women has also been central to its poverty reduction efforts. For example, the Market Strengthening and Livelihood Diversification in the Southern Highlands Project has helped some 9,000 women open savings accounts. These women now have a combined total of over US\$1 million in accrued savings.

At the heart of Peru's unique brand of rural development is the concept of investing in local talents. The Management of Natural Resources in the Southern Highlands Project illustrates this approach. Lead trainers from the project share knowledge on farming techniques, soil management, market access and savings with their students in rural areas. The students, in turn, soon became teachers, passing on their knowledge to neighbouring communities.

IFAD's strategy in Peru

Projects: 9

Total cost: US\$ 282.6 million

Total approved IFAD financing:
US\$ 144.0 million

Directly benefiting:
136,380 households

Since 1980, IFAD has provided nine loans to Peru for a total of US\$144 million, directly benefiting more than 136,000 households. Most of the IFAD-supported projects have addressed the needs of small-scale farmers in the southern highlands, Peru's poorest region. The country has also benefited from IFAD regional grants for rural development training.

IFAD has four main strategic objectives in Peru, seeking to:

- Enhance smallholder farmers' property and resources through better natural resource management, land-titling and resolution of conflicts over land tenure
- Improve smallholders' access to technical assistance and financial services by developing markets, increasing local capacity to contract services, and strengthening institutional and private-sector service providers
- Promote rural-urban linkages by helping small-scale entrepreneurs expand their non-agricultural activities – and by supporting farmers who establish agriculture-related enterprises in nearby small and medium-sized towns
- Foster development by making local institutions and communities responsible for decisions on project funds and implementation.

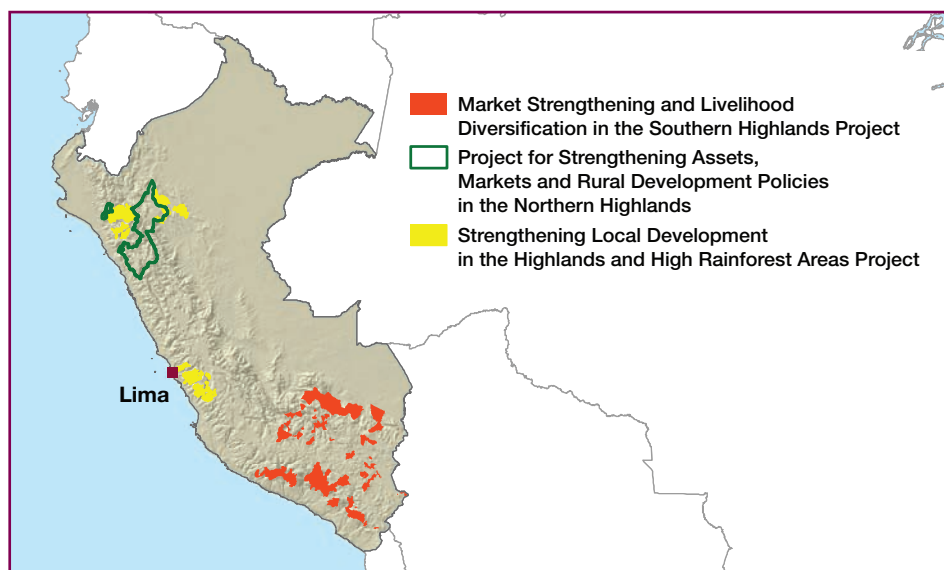
IFAD has also introduced awards for innovation and for conservation of traditional knowledge in Peru. Among the innovations introduced by IFAD-funded projects themselves are public competitions to assign development resources and manage natural assets such as land and water; promotion of savings accounts for rural women; and direct money transfers to project participants to hire technical advisers.

Such socially inclusive mechanisms have become part of Peru's national strategy to reduce rural poverty. They are being replicated in IFAD-funded projects in other countries, including Bolivia, Colombia, Ecuador and Viet Nam.

Ongoing projects supported by IFAD in Peru include the Market Strengthening and Livelihood Diversification in the Southern Highlands Project (Sierra Sur), which is in its second phase, and the Strengthening Assets, Markets and Policies for Rural Development in the Northern Sierra Highlands Project (Sierra Norte). The US\$22 million Sierra Norte Project includes a US\$1.8 million grant from the Global Environment Facility for sustainable management of protected areas.

In addition, the Government of Peru and IFAD have launched the Strengthening Local Development in the Highlands and High Rainforest Areas Project, which will scale up IFAD-funded innovations for new poverty reduction efforts in the Sierra and Alta Selva regions.

Ongoing operations



Strengthening Local Development in the Highlands and High Rainforest Areas Project

The objective of this project is to increase the effectiveness, efficiency and relevance of public investments from central, regional and local governments in the target area. In this way, it aims to improve the well-being of the rural population and increase the value of their natural, physical, human, social and financial assets.

The project involves three main components:

- Valuing the assets of small-scale farmers by building their capacity for natural resource management and funding territorial management plans
- Providing small-scale producers with access to financial and non-financial services, including technical assistance, market linkages and leadership skills
- Strengthening capacity for local development through a territorial approach.

The project area includes the central and northern Sierra region and a small portion of the high rainforest region known as Alta Selva in the department of San Martín. The target population is composed mainly of subsistence smallholders and small-scale producers with limited physical, financial and human capital, and restricted access to markets.

Project for Strengthening Assets, Markets and Rural Development Policies in the Northern Highlands

This project aims to protect and enhance the natural and cultural heritage of poor rural households in the northern highlands of Peru. It also works to strengthen community organizations in rural areas and open new markets for entrepreneurial activities.

Specifically, the project:

- Helps small-scale producers and entrepreneurs contract technical assistance to improve the production, marketing and management of rural enterprises
- Provides financial and non-financial services to help rural poor people, mainly women and young people, develop new business initiatives and contract the services required to implement them
- Reduces livelihood risks through promotion of savings and micro-insurance.

Total cost: US\$36.5 million

Approved IFAD loan: US\$20.0 million

Duration: 2013-2018

Directly benefiting: 15,900 households

Total cost: US\$21.7 million

Approved IFAD loan: US\$14.4 million

Duration: 2009-2014

Directly benefiting: 20,040 households

Cofinancing: Action Aid (US\$1.0 million)



©IFAD/Pablo Coral Vega

The project carries forward participatory and innovative approaches implemented in previous IFAD projects in the highlands region. These approaches include awards systems for allocation of resources and participatory community mapping for natural resource assessment.

Market Strengthening and Livelihood Diversification in the Southern Highlands Project

Total cost: US\$34.5 million
Approved IFAD loan: US\$16.0 million
Duration: 2005-2013
Directly benefiting: 15,000 households

This project works with poor Quechua and Aymara families in the southern highlands of Peru to help improve the quality of their products, preserve their traditional knowledge and improve natural resource management to diversify their sources of income.

One of the project's most innovative features is the direct transfer of funds to communities, enabling small-scale farmers and microentrepreneurs to contract for technical assistance that will make their products competitive in national, regional and international markets. The project provides resources specifically for women farmers. This assistance helps them obtain property rights to land and legal recognition for their small handcraft businesses, and enables them to manage their own savings.

The project is now in its second phase with US\$8.2 million in IFAD financing.



©IFAD/Elisa Finocchiaro

Completed operations

Development of the Puno-Cusco Corridor Project

Total cost: US\$30.9 million

Approved IFAD loan: US\$18.9 million

Duration: 2000-2008

Directly benefiting: 14,400 households

Management of Natural Resources in the Southern Highlands Project

Total cost: US\$19.1 million

Approved IFAD loan: US\$12.3 million

Cofinancing: OPEC Fund for International Development (US\$4.0 million)

Duration: 1997-2004

Directly benefiting: 10,560 households

Promotion of Technology Transfer Project to Peasant Communities in the Highlands

Total cost: US\$26.8 million

Approved IFAD loan: US\$15.9 million

Cofinancing: World Food Programme (US\$5.5 million)

Duration: 1993-1999

Directly benefiting: 40,680 households

Cuzco-Arequipa Highlands Rural Development Project

Total cost: US\$14.7 million

Approved IFAD loan: US\$7.0 million

Cofinancing: Andean Development Corporation (US\$3.0 million), World Food Programme (US\$1.7 million)

Duration: 1987-1993

Directly benefiting: 4,800 households

Alto Mayo Rural Development Project

Total cost: US\$79.7 million

Approved IFAD loan: US\$19.0 million

Cofinancing: World Bank/IBRD (US\$27.5 million)

Duration: 1983-1993

Directly benefiting: 8,500 households

Credit for Small Farmers on the Highlands

Total cost: US\$17.0 million

Approved IFAD loan: US\$11.9 million

Duration: 1980-1985

Directly benefiting: 6,500 households



©IFAD/Cesar Ascención Huamán Sopla

Building a poverty-free world

The International Fund for Agricultural Development (IFAD) works with poor rural people to enable them to grow and sell more food, increase their incomes and determine the direction of their own lives. Since 1978, IFAD has invested about US\$14.9 billion in grants and low-interest loans to developing countries through projects empowering over 410 million people to break out of poverty, thereby helping to create vibrant rural communities. IFAD is an international financial institution and a specialized UN agency based in Rome – the United Nations' food and agriculture hub. It is a unique partnership of 172 members from the Organization of the Petroleum Exporting Countries (OPEC), other developing countries and the Organisation for Economic Co-operation and Development (OECD).

Contact

Juan Moreno Belmar

Acting country programme manager

j.morenobelmar@ifad.org

For further information on rural poverty in Peru visit the Rural Poverty Portal: <http://www.ruralpovertyportal.org>



International Fund for Agricultural Development

Via Paolo di Dono, 44 - 00142 Rome, Italy

Tel: +39 06 54591 - Fax: +39 06 5043463

E-mail: ifad@ifad.org

www.ifad.org

www.ruralpovertyportal.org

ifad-un.blogspot.com

www.facebook.com/ifad

www.twitter.com/ifadnews

www.youtube.com/user/ifadTV

July 2013