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PROGRAMME PLANNING

Country and intercountry programmes and projects

FOURTH COUNTRY PROGRAMME FOR PERU\*

<u>Programme period</u>	<u>Actual resources programmed</u>	<u>\$</u>
January 1987-December 1991	IPF for 1987-1991	13 750 000
	Other resources programmed	<u>3 280 274</u>
	Total	16 030 274

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## I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

### A. Current economic trends

1. Over the past 15 years the Peruvian economy has been characterized by uneven growth owing to such external factors as the drop in the prices of minerals, the increase in rates of interest on foreign capital and the world energy crisis, as well as factors of an internal nature. Among the latter, mention should be made of the implementation of internal policy measures characterized, initially, by excessive protectionism, low agricultural productivity and the commencement of a long-term programme of investment in projects and, subsequently, by the liberalization of import controls, which had an adverse effect on the incipient development of the emerging industrial sector, reductions in domestic demand, shrinking public expenditure and restrictions on credit for industry.
2. The crisis in the Peruvian economy was at its most severe in the period 1982-1983, manifesting itself in a marked drop in production in 1983 owing, among other factors, to the sharp fall in the prices of minerals, to the protectionist policy adopted by certain countries and to the presence of natural phenomena (flooding in northern Peru and drought in southern Peru) - giving rise to high levels of expenditure on imported foodstuffs and on projects to repair and rehabilitate the country's infrastructure - as well as to the higher cost of servicing the external debt. However, in 1984 there was a rise in agricultural and fisheries output owing, once again, to climatic factors. Moreover, in the first half of 1985 production recovered somewhat.
3. Nevertheless, the overall economic situation continues to display undesirable characteristics, such as the fact that only 36 per cent of the population is adequately employed, that there has been a drop of 30 to 40 per cent in wages and salaries since 1973 and that prices have risen by a total of 3.6 per cent over the past five years. Where essential services are concerned, it should be pointed out that from 40 to 70 per cent of the population does not have access to them. Health standards are unsatisfactory; there is a high overall mortality rate and low life expectancy at birth, and there are high morbidity and mortality rates as a result of infectious and parasitical diseases. There has been a considerable increase in school truancy, and the present educational infrastructure is extremely deficient.
4. In view of this situation, the Government intends to pursue its national development endeavour over the next five years in the form of a programme to implement appropriate measures; accordingly, immediately upon coming to power, in July 1985, it began implementation of an inflation-control programme with a view to reactivating the economy by means of such measures as reductions in interest rates, stabilization of the rate of exchange, a narrowing of the gap between prices and wages and salaries, export incentives, rationalization of imports and the establishment of a fund for loans to small and medium-sized enterprises. Moreover, a number of emergency mechanisms have been established, such as the Temporary Income-Support Programme and the Microregional Development Fund, the purpose of which is to alleviate the plight of disadvantaged population segments and to facilitate the State's decentralization endeavour.

5. Some results had already been achieved by November 1985. Average monthly inflation dropped from 11 to 3 per cent, the process of making the economy independent of the dollar was reflected in the increase in the share of Peruvian currency in total deposits in the banking system, and the inflow of exchange as a result of exports continued to have a favourable impact on the balance of trade. However, it must be pointed out that the price freeze, the contraction in the liquidity of money in circulation and the loss of competitiveness of the export sector (as a result of the fall in international raw-materials prices and the fixing of the rate of exchange) have given rise to conditions that could lead to a recession in industry in the short term, if additional measures to raise output are not adopted and decisive steps are not taken to reactivate domestic demand. The Government is, in fact, currently taking such action.

#### B. National development strategies

6. In order to deal with the economic and social crisis confronting the country, the Constitutional Government has opted for a policy of reviewing and modifying the chief areas in which the State intervenes with a view to adjusting the neoliberal policy pursued by the previous Government, which did not produce the anticipated results. The Government's goals and strategies will be set forth in the national development plans that are currently under preparation. Although the 1986 short-term development plan and the medium-term development plan for the period 1986-1990 are not yet available, extremely clear policies are laid down in the Message to the Nation from the President of the Republic, as well as in the statements made by the President of the Council of Ministers, which provide the framework within which the plans in question are being formulated, as well as in Peru's fourth programme to be implemented in co-operation with UNDP.

7. For that purpose the Government has outlined, as one of its strategies, the transformation of the State into an agent for the promotion of national development, by means of effective measures and appropriate planning, particularly with a view to decentralizing administration in such a way as to provide the local and regional governments with decision-making powers in all spheres of political and administrative activities. A series of organic legal provisions currently under preparation will provide the framework within which the departmental development corporations will operate as the planning and executive bodies in their respective territories. The action in question will undoubtedly remedy the neglect and abandonment from which the interior of the country and the disenfranchised urban areas have suffered and provide them with the necessary resources for reducing economic centralization and giving priority to the development of the Sierra and the new towns.

8. The transformation of the pattern of production with a view to harmonizing social needs and the domestic supply of essential goods and services will facilitate action taken with a view to progressively guaranteeing access to productive employment and with a view to improving the insecure living conditions of the working class and meeting the basic requirements of the population in general so as to safeguard the dignity of the individual. With a view to putting those strategies into effect, the Government is: maintaining a firm position on

the manner in which the external debt should be dealt with and indicating that repayment of the debt and debt servicing must not represent more than 10 per cent of the total value of the country's exports; establishing the Microregional Development Fund and the Temporary Income-Support Programme; decentralizing agricultural-credit banking; promoting the use of indigenous technology and crops; and calling on the private sector to make a concerted effort to reactivate industry through the establishment of a fund for loans to small and medium-sized enterprises. Furthermore, it is endeavouring to incorporate the informal sector - 43 per cent of the economically active population in 1982 - into the formal economy. In addition to promoting exploration for conventional sources of energy, it is studying alternative sources and promoting research on them.

9. This development scheme is combined with specific policies designed to affirm national sovereignty and defence and to develop an independent and truly Peruvian foreign policy based on the principles of non-alignment, solidarity with the countries of the third world, Andean and Latin American co-operation and integration and rejection of the existing, unjust international order. At the domestic level these policies are focused on: establishing a new moral climate in the country through the introduction of a new type of ethics in the administration of both public and private affairs based on integrity and national solidarity; affirming Peru's national identity and its culture, thus completing the historical development of the ethnic plurality of Peru, with its corresponding spiritual values; re-establishing the principle of democratic authority based on justice and full compliance with the Constitution, laws and regulations of the State; and restoring the safety of the individual and public order by means of a democratic revolution and the elimination of political violence.

### C. Technical co-operation priorities

10. The medium- and long-term national development process calls, inter alia, for technological, training and material resources, and it is obvious that Peru does not have sufficient resources to meet its requirements.

11. International technical co-operation is regarded as being complementary to the national endeavour, not as a substitute for that endeavour. Its chief contribution to the country's development is that it facilitates the establishment of links between Peru and the rest of the world and introduces modern technology and methods in strategic areas of national development into Peru in an orderly and balanced fashion. The Government therefore confirms the validity of the principles laid down in the consensus of 1970 adopted by the Governing Council and the General Assembly of the United Nations, as well as the document on new dimensions in international technical co-operation adopted by the Governing Council at its twentieth session, which have been duly taken into account in the development of Peru's policy on international technical co-operation.

12. Technical co-operation, both as a concept and as implemented, is viewed very much as an innovative force complementing local development activities. In 1971 Decree Law No. 18742 and the corresponding regulations, which constitute the normative machinery for implementing international technical co-operation in Peru,

were promulgated with a view to ensuring compatibility between the allocation of resources resulting from international technical co-operation and the requirements laid down in Peru's development plans. An appropriate conceptual and procedural framework has been established under the legal machinery in question, and responsibility for its use has been entrusted to the Ministry for Foreign Affairs in the case of international action and negotiations, and to the National Planning Institute in the case of the promotion and evaluation of programmes and projects and the setting of corresponding priorities. Planning offices at the sectoral, regional and departmental levels both generate and channel action taken in the corresponding sector, region or department.

13. In this context, international technical co-operation has a major role to play as a complement to the national development endeavour, particularly if account is taken of the limits imposed by the economic crisis and of the magnitude of Peru's requirements. The Government has entrusted the formulation and implementation of national policy in the area of international technical co-operation to the national planning system, which is regarded as an instrument for integrating development planning.

14. The Government believes that UNDP - a key multilateral body without any political, economic or trade biases or links - is sufficiently independent and flexible to act in accordance with the guidelines submitted by the Administrator of UNDP to the Governing Council at its thirty-first session (DP/1984/4) in July 1984 and thus to co-operate with Peru in developing and implementing projects requiring a completely independent approach.

15. In their concentrated discussions on the preparation of this programme, the Government and UNDP considered not only what technical assistance requirements were to be financed by UNDP but also what the country's overall technical assistance requirements would be for the period 1987-1991. These discussions formed a basis not only for the UNDP country programme paper but also for the paper on priority areas for Peru's 1986-1990 international technical co-operation programme, which was approved by the President of the Republic as Peru's technical co-operation policy for the period in question and transmitted to all sources of assistance.

16. Since the two papers resulted from the same series of high-level talks, the UNDP programme presented below reflects the Government's international technical co-operation priorities for the period 1987-1991.

17. Multilateral and bilateral sources that make a valuable contribution will be invited to participate in this programme on the basis of cost-sharing arrangements, both at the overall programme level and at the level of specific projects. It is hoped that it will thus be possible to establish a Peru-UNDP technical co-operation programme with at least as high a level of resources at its disposal as that of the IPF for the preceding period, which amounted to \$25 million. It would thus be possible to achieve one of the Government's long-cherished goals and fulfil the express wish of the countries co-operating with Peru, which is that there should be a greater degree of co-ordination between the large number of external programmes to assist Peru in its development. Such co-ordination will be essential in the period 1987-1991 if the most rational use possible is to be made of the resources available and costly and unnecessary duplication of effort is to be avoided, thus

ensuring that each individual external technical co-operation project, however small it may be, has its logical place in a centrally co-ordinated overall programme.

18. With a view to making optimum use of the scarce resources available by taking advantage of both the multilateral and the multidisciplinary nature of the assistance provided by the United Nations system, the Government decided that IPF-funded projects should be focused on particularly sensitive areas.

19. UNDP assistance will therefore be used for:

(a) Scientific and technological development: gaining access, through the United Nations system, to modern technology and methods conducive to a type of development that is in keeping with national goals. It is not a question of taking up pure research but, rather, of applying modern technology in priority sectors of the economy;

(b) Strengthening of State administration: strengthening the State's administrative capacity with regard to the principal problems confronting it in both the national and the international sphere and increasing the State's efficiency and effectiveness in producing goods, providing services and drawing up regulations;

(c) Critical poverty: tackling in a decisive manner the complex set of problems relating to critical poverty in Peru and initiating programmes designed to incorporate the most disadvantaged population segments into the country's life, through programmes to raise incomes and through basic-services programmes.

20. The fact that the Peru-UNDP technical co-operation programme is focused on these three spheres does not mean that in certain cases other types of assistance in specific areas will not be requested. Moreover, although these fields will be dealt with chiefly by the United Nations system, the Government wishes other sources of assistance to have the possibility of being integrated into the national endeavour and contributing their resources in co-ordination with the Peru-UNDP programme, which embodies the chief goals of the Government's technical co-operation policy, as described in the paper on priority areas for Peru's 1986-1990 international technical-co-operation programme, referred to in paragraph 15.

21. An outline of the content of the three priority areas and their justification in view of the current economic situation in Peru is provided in part II, section B, entitled "New programme proposal".

#### D. Aid co-ordination arrangements

22. Peru believes that technical co-operation should be co-ordinated by the Peruvian Government itself, through its competent organs, and not by a number of major external co-operation agents. Moreover, it regards UNDP - a key body in the United Nations system and a co-ordinator of the system - as a principal adviser of

the Government in matters relating to international technical co-operation, and is of the view that UNDP should play an advisory role not only in connection with technical assistance provided by the United Nations but in connection with any external technical co-operation process.

#### United Nations system

23. One of the greatest achievements in the second half of the third programme, which the Government hopes to consolidate in the fourth cycle, has perhaps been the degree of co-ordination achieved with other United Nations programmes operating in Peru - particularly the World Food Programme (WFP), the United Nations Fund for Population Activities (UNFPA) and the United Nations Children's Fund (UNICEF) since the signing, in 1984, of the agreement on institutional co-operation of the joint consultative group on programming (JCGP) - as well as with the most important development banks, specifically, the World Bank and the Inter-American Development Bank. In the fourth cycle, UNDP will also endeavour to support the Government's efforts undertaken with a view to achieving a greater degree of co-ordination with bilateral programmes of assistance for Peru.

24. In 1986 WFP will begin a project for the development of agriculture and regional infrastructure in depressed areas for the benefit of peasant communities in nine Andean departments, which will involve a contribution in the form of foodstuffs in a value of \$16.5 million. This programme, which consists in raising the income of peasant families through their employment on agricultural production and infrastructure-development projects as a result of investment and the use of labour is closely linked to the income and employment policies and programmes in rural areas that the Government is implementing through project PER/85/007 - one of the key projects in the fourth programme. In the course of the fourth programming cycle, WFP will also implement four dairy-cattle development projects in four departments of Peru, which is a net importer of dairy products.

25. During the third programme, UNFPA worked in close co-ordination with UNDP, focusing its efforts on the implementation and development of population and employment policies on maternal and child welfare, on the development of human resources for carrying out those policies and on the reorganization of the register-office system. The programmes in question are vital to Peru and to the success of the employment and incomes programme that is to be implemented during the fourth UNDP programme for Peru. Now that UNFPA has given Peru valuable planning assistance, in the forthcoming five-year period it will begin a series of projects in which it will take direct action in both rural and marginal urban areas with a view to raising standards of living and improving health and services in depressed communities. In some cases the activities in question will complement the project for integrated rural development in the Province of Sánchez Carrión (PER/78/002) and the project on basic health in Loreto Department (PER/78/004), and will involve such elements as sex education, maternal and child welfare and family planning, in addition to the development effort.

26. There has been a delay of one year in the implementation of the UNICEF programmes originally decided upon for the period 1986-1991, which will facilitate improved preparation and make it possible to bring UNICEF programming into line

with the new Government's policies and programmes. The needs of the target population of UNICEF - children in low-income urban and rural areas - will be met through programmes focusing on maternal and child welfare, early and pre-school education, education of mothers, applied nutrition, water and sanitation and the upgrading of the role of women in development.

27. The UNICEF programme represents an annual amount of \$1,150,000, together with a further amount of \$2 million for "noted" projects. There is extensive co-ordination on the ground with UNFPA programmes, the joint programmes of the World Health Organization and the Pan-American Health Organization (WHO/PAHO) and WFP programmes and with extreme-poverty projects under the current UNDP programme.

28. The United Nations Fund for Drug Abuse Control (UNFDAC) has worked in close co-operation with UNDP since it began its rural development activities with a view to facilitating the substitution of coca cultivation. Action has been initiated on two fronts and excellent results are being achieved in the areas of Peru where coca is grown. As a result of this positive action, which takes account of the socio-economic and cultural context in which the cultivation of coca developed in Peru, it has been possible to secure the peasants' co-operation.

29. The regular WHO/PAHO programmes and the regular programmes of the Food and Agriculture Organization of the United Nations (FAO) could also be integrated with the UNDP programme, particularly where UNDP activities in the field of extreme poverty are concerned. It is expected that there will be extensive co-ordination with WHO/PAHO in the area of health, chiefly in Loreto Department, and in the area of the microregional planning programmes. Moreover, it is hoped that in the case of the latter programmes there will be co-operation with the FAO technical co-operation programmes, which have been implemented in a relatively independent manner so far. This is not so in the case of the regular programmes of the International Atomic Energy Agency (IAEA), which are not only important in terms of resources, but are implemented in extremely close co-operation with the rest of the United Nations system, particularly in the areas of agriculture and health. There has also been co-ordination in the area of exploration for new mineral resources, particularly uranium. Mention must be made of the effective work carried out by the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE), whose work in the area of coal-mining is of interest to the Government. Furthermore, there has been co-operation with the Office of the Resident Representative, the Voluntary Fund for the United Nations Decade for Women, which facilitated implementation of two projects to incorporate women into national development activities, and the United Nations Financing System for Science and Technology for Development (UNFSSTD), which provided assistance in raising academic standards in a number of Peruvian universities.

#### Development banks

30. As to the World Bank, meetings have been held periodically with a view to implementing a joint World Bank/UNDP programme to strengthen public administration. A World Bank mission and the Government have negotiated a loan for a support project for the public sector, part of which will, if adopted, be implemented by the UNDP Office for Projects Execution (OPE) with a view to

co-ordinating the activities carried out in that field by UNDP, in co-operation with the Government of Peru.

31. The Inter-American Development Bank (IDB) and UNDP will initiate productive co-operation in the area of the modernization of decision-making relating to public investment. This project, which will facilitate the rationalization of decision-making procedures in the area in question, will have as counterparts the National Planning Institute (INP) and the Ministry for Economic and Financial Affairs (MEF), and will include specific action relating to decision-making at the presidential level. It will be implemented by the Department of Technical Co-operation for Development (DTCD) at a cost of \$1.1 million, of which an amount of \$850,000 represents cost-sharing by the Government in the form of a contribution to IDB.

#### Bilateral programmes

32. The Government has decided to make more and better use of the United Nations system's capacity in the area of programme and project implementation with the aid of funds in trust from bilateral sources. Accordingly, a technical co-operation agreement on the use of a fund of \$400,000, resulting from the sale on the market of a donation of wheat from the Argentine Republic, was signed by UNDP and the Peruvian Government in July 1985. The fund will be used specifically for projects to develop agriculture and food production in southern Peru and to promote horizontal technical and economic co-operation between Peru and Argentina.

33. This form of co-operation, whereby the source of assistance and the Peruvian Government delegate to UNDP the administration of resources in accordance with the priorities and the approach agreed upon by the two countries in question will probably constitute a new source of resources for the fourth country programme. It is to be hoped that this form of co-operation will be adopted by the industrialized countries' sources of assistance that do not have any machinery of their own for identifying, formulating, implementing and evaluating projects, as well as by the developing countries in the region that wish to co-operate with Peru in its development endeavour through technical co-operation programmes.

## II. THE COUNTRY PROGRAMME

### A. Assessment of current country programme

34. The third programme for Peru was formulated in the light of the priorities laid down in the 1982-1985 Medium-Term National Development Plan. The fact that the period covered by the third programme coincided almost exactly with the period covered by the Plan was highly advantageous, because it was thus possible to harmonize various sectoral requirements.

35. The analysis of the implementation of the third programme is divided into two periods - 1982-1984 and 1985-1986 - owing to the fact that in July 1984 a thorough review of the programme was conducted with a view to adapting it to the situation at that time, in the light of new policies for its implementation in the future.

36. The national development goals chosen for UNDP support in the period 1982-1986 were the following:

- (a) Support for projects focused on the production of food and basic inputs in which there was a national production deficit;
- (b) Support for the provision of basic social services;
- (c) Expansion and strengthening of support for integrated rural development programmes.

37. With an IPF of \$25 million, the use of 80 per cent of which was authorized, and pledged contributions in the form of cost-sharing amounting to a total of \$3.7 million, the programme consisted in 31 projects grouped in five areas for priority action, representing the following IPF percentages: (a) Human resources, 24 per cent; (b) Regional development, 20 per cent; (c) Natural resources, 19 per cent; (d) Scientific and technological development, 19 per cent; and (e) Economic services, 16 per cent.

38. Subsequently, programme implementation was adversely affected by events that made it necessary to modify the scale of the programme and to reorganize programme content. The events in question were, inter alia: the reduction in the UNDP contribution to 55 per cent of the IPF; the international economic crisis and its impact on the Peruvian economy; natural disasters, which drastically reduced the Government's capacity to meet its financial commitments relating both to its contributions-in-kind and anticipated inputs, in the form of cost-sharing, to the various projects provided for under the programme.

39. The situation described above led to a fragmentation of the programme, making it impossible to achieve the programme's goals, which meant that it was necessary to set up an analysis group, made up of the Ministry for Foreign Affairs, the National Planning Institute and UNDP, with a view to modifying the scale of the programme and reorganizing its content - an exercise that was carried out in July 1984.

40. The chief conclusions were as follows:

- (a) The importance of some projects and the need for a substantive review of others and for the incorporation of new projects in priority areas was recognized;

- (b) Consideration is given to the need to mobilize additional resources, for example, in the form of the SUBIN (Office of the Under-Secretary for International Technical and Economic Co-operation of the Ministry of Planning of Brazil) model agreement on cost-sharing, contributions in Peruvian currency, funds from third countries and the use of loans from financial institutions;

- (c) Emphasis is placed on the need to rationalize the way in which UNDP resources are used, with a view to ensuring that they are no longer used to cover local costs that should be a national responsibility;

(d) The need to improve and strengthen co-ordination of resources from bilateral sources and, chiefly, the United Nations system was recognized.

41. In the light of these conclusions, the Government decided to initiate projects in areas that it regarded as having priority, including the areas of the administration of international technical assistance, public investment and the exploitation of sources of energy. The results achieved through these projects may be summarized as follows:

(a) The drawing up of a national inventory of investment projects, used in the preparation of the 1986 General Budget of the Republic and for the cancellation of unused loans for which large sums were being paid in interest. Good results have facilitated the securing of funds from IDB for a large-scale project linking planning to budgeted investment and budgetary control;

(b) The initiation of activities designed to promote rational use of energy, complementing a project financed by the World Bank in an amount of \$4 million for the establishment of an Energy Centre (CENERGIA), as well as action to promote the use of coal as an alternative source of energy both in industry and by consumers in the most disadvantaged population segments.

42. In addition to these results, there are the results achieved through a set of projects considered at the original programming stage. Among such results are: assistance in establishing the National Energy Council - the body chiefly responsible for planning in the area of energy policy; the laying of the foundation for the support project to increase agricultural production and productivity through the use of nuclear energy; co-operation in identifying a uraniferous district in southern Peru, as well as in drawing up the Uranium Act and in establishing three pilot diagnostic centres for biomedical applications of nuclear energy in Lima, Arequipa and Trujillo. Furthermore, a large-scale training programme for the rural population was consolidated by means of audio-visual methods and assistance was provided for the establishment of a national service to assist industry in matters relating to quality control and the establishment of production procedures.

43. Moreover, assistance was provided in the preparation of a detailed plan for the reorganization of the national territory already approved by the Government. Activities were also carried out in the field of integrated rural development, which promoted investment with a view to raising the standard of living of the population of the area covered by the project and constitutes a model for microregional development for a depressed area in the interior of the country.

44. Recently the new Government of Peru, which took office on 28 July 1985, incorporated into the third country programme a set of proposals to support implementation of its plans in the areas of food production and agricultural productivity, administrative organization, employment in the informal sector and microregional development, having provided preparatory assistance in order to achieve the above.

## B. New programme proposal

45. Given that international technical co-operation is considered to be an innovative and catalytic factor which complements national efforts, the Government of Peru assumes that its UNDP programme will constitute the core of the country's technical co-operation activities, with national co-operation priorities guiding the programme described below.

46. The projects to be carried out in the three priority areas that have been identified - scientific and technological development, strengthening of State administration, and extreme poverty - are outlined below.

### Scientific and technological development

47. Although Peru is endowed with a wealth of natural resources, well-developed scientific and technological institutions and adequate human resources, the country has been unable to sustain a level of economic and social development commensurate with the needs of its people, and suffers from an extensive and growing scientific and technological dependence on the industrialized countries. Furthermore, the various development models that have been tried in the country have given rise to a pattern of consumption which requires the import of foreign inputs, goods and services, thereby rendering this dependency more acute rather than encouraging the country to develop technologies that would use its natural and human resources to solve its major problems. A new development model, such as the one announced by the new Constitutional Government, designed to raise the income level of the majority of the population, must make use of indigenous technologies as it seeks to bring about the progressive and self-sustained development of national resources.

48. The revolutionary technological innovations in the fields of science and technology will have an impact on all sectors and at all levels. It is impossible for a country like Peru, which is at an intermediate stage of development, to take a qualitative leap and reach the frontier of knowledge in all fields at once. Instead, certain strategic areas closely related to the national development model will be identified and revolutionized through the progressive and co-ordinated introduction of modern technology.

49. Most of the projects in this technical co-operation programme, and especially those relating to planning and standardization, are based on the most modern information-processing technology, something that would have been impossible as little as 10 years ago. It can thus be said that the programme as a whole makes use of the most sophisticated technology available. However, some factors and areas are to receive special emphasis in the technical co-operation programme; these are: the restructuring of production and reconversion of industries; transport and telecommunications; energy, mining and metallurgy; space technology; natural resource exploration; and applied agricultural technology.

Ongoing projects

PER/81/021, Industrial Metallurgical Technology Centre

50. The project objective is to provide additional consultancy services to the Institute for Technological Research (ITINTEC) in order to further the analytical work being done by its metallurgical laboratory; this will take the form of consultancy services and the training of Peruvian technicians in two specific areas: emission and fluorescence, and absorption and plasma. These activities fall within the scope of policies aimed at upgrading the standard of theoretical and applied technology in Peru.

PER/81/003, Aeronautical infrastructure

51. This project is furnishing the technical assistance required by the Peruvian Civil Aviation Corporation (CORPAC) to implement its activities to upgrade the infrastructure of Peruvian airports, activities financed largely by the World Bank. The fact that the country possesses a network of airports in optimum condition helps to unify it, and directly promotes commerce, tourism, etc.

PER/84/001, Improvement of planning and maintenance of the Peruvian Telephone Company, S.A., network

52. The project seeks to: maximize the quality and efficiency of services by means of activities designed to improve mechanisms and procedures for strategic planning in the short, medium and long terms; advise the Company administration on a project for the installation of an additional 150,000 telephone lines; and strengthen the Company's technical and operational capacities in the areas of planning, management and overseeing the external plant of the metropolitan Lima telephone network. These activities constitute part of the Government's effort to provide the community with efficient services using modern communications technology.

New projects

Restructuring of production and reconversion of industry

53. The unprecedented critical situation now facing Peruvian industry has made it necessary to mobilize the State planning and programming machinery and to develop a new ideology which will abandon speculative practices and apply coherent modern management criteria to the country's economic and social objectives to its own benefit. The primary objective of the project is to help the Peruvian Government:

(a) Progressively reactivate and restructure existing industries, with special emphasis on agribusiness and industries geared to the basic needs of the population; as a prerequisite, the comparative benefits and social cost to the Peruvian economy must be identified;

(b) Programme new industrial activities, with emphasis on producing inputs and capital goods in order to break the connection between the external and the internal sectors, reduce the current level of technological dependence and promote further national integration;

(c) Map out priority growth areas by means of a new system of partnership with companies, with consideration given in the case of each individual product to basic inputs, technology, systems of credit and contracts specifying production and consumption levels;

(d) Identify policy instruments for providing selective support so that the objectives that have been set can be achieved.

54. Initially, the project will comprise the following modules or subprojects:

(a) Identification of the comparative, dynamic and social benefits for each production sector and geographical region;

(b) Formulation of the new outline and gradual establishment of effective protective measures consistent with the first subproject and the objective of the programme for the restructuring of production;

(c) Planning of new investments and programming of other incentives which, by adapting private profitability to public profitability, will result in a reallocation of private investment in a manner consistent with the first subproject;

(d) The study and implementation of the modalities of joint production and marketing in order to carry out the investments and operations described in the preceding subproject in a manner appropriate to the management of areas of economic growth;

(e) Establishment of centres for technological research and development in the University of Engineering, the Catholic University and the University of Agriculture, which would gather, process and disseminate scientific and technological information needed for the new production structure and the new import-substitution system, and would develop, modify and adapt technological models;

(f) Design and construction of prototypes or models that would meet the requirements of the restructuring of production, for subsequent dissemination and mass production.

#### Hydrometeorological support for development programmes

55. The project objective is to provide the National Meteorological and Hydrological Service (SENAMHI), the agency having responsibility in this area, with support in the use of agrometeorological data to increase agricultural production and productivity, in the development and implementation of an energy data base and in the upgrading of meteorological and hydrological services. These activities are directly related to the elimination of extreme poverty which exists in the marginal farming areas, and to the exploration and development of conventional sources of energy and the reinforcement of the State machinery.

### Nuclear energy applied to agriculture

56. Peru's fundamental objective is to achieve self-sufficiency in staple foods and to improve the standard of living of the rural population, particularly in the high Andes. In this connection, the applied research activities carried out on an experimental basis in collaboration with the United Nations system in the areas of nuclear technology applied to agriculture and improving strains of animals of the family Camelidae have led to important advances in the development of species adapted to the environment of the high Andes, offering prospects for the improvement of that region's production and productivity. This work is to be followed up by a project designed to carry this research further and disseminate the results.

### Food quality control

57. The objectives which have been set for Peru's agricultural development are the improvement of food production at the national level, where a deficit currently exists, and the boosting of production and productivity in the case of a number of exports.

58. The project seeks to support the Peruvian Government in its efforts to develop a quality-control system for food products; this system would provide full consumer protection at the national level and make Peruvian products competitive in international markets.

### Hides and skins

59. This project will provide support for the setting up of a promotional and training centre for the development and application of processes relating to tanning, waste disposal, quality control, and the transfer and adaptation of technology in the hides and skins industry, thereby increasing the aggregate value of exports by transforming them from semi-finished to finished goods.

### Control of the Mediterranean fruit fly

60. The Mediterranean fruit fly is responsible for the loss of roughly 25 per cent of Peru's fruit production.

61. The Government intends to eradicate the Mediterranean fruit fly and revitalize and expand fruit production in the country through the implementation of an insect-sterilization scheme as part of a comprehensive programme to eradicate the fly in southern Peru.

### Energy

62. In view of the current uncertainty regarding national oil reserves, the Government wishes to work with the United Nations system to identify new sources of energy, possibly including geothermal, solar energy and energy from plants.

63. To this end, the Government has decided to tackle the energy problem from two angles. Firstly, a dynamic policy to identify new sources of energy is to be adopted; secondly, alternative forms of energy are to be sought which can meet local energy demands while increasing the export market for hydrocarbons. Given the existence of coal deposits, the Government has begun efforts to replace petroleum derivatives with coal (briquettes) for domestic energy consumption.

#### Development of maritime transport

64. This project will strengthen and enhance the Peruvian shipping sector's involvement in the regional activities of the Regional Network for Co-operation among Maritime Authorities (ROCRAM) under project RLA/85/006, "Support for the regional maritime co-operation network".

#### Support for the air transport sector

65. Among the elements required for Peru's physical integration is an adequate and efficient aviation infrastructure. In view of the technological progress that continues to be made in this area, and in order to consolidate the services and facilities which have been set up, the Government is studying the possibility of providing this important sector with technological support for the duration of the fourth programming cycle.

#### Water balance of Lake Titicaca

66. The Government seeks to pay particular attention to the development of the area known as the "Andean trapezium", an area that includes the Department of Puno, which has as its primary resource the waters of the Lake Titicaca basin. As this resource is located on both Peruvian and Bolivian territory, joint action for its rational use to the benefit of both countries is required.

67. The shores of Lake Titicaca can be farmed on an ongoing basis and for profit only if adequate and regular irrigation is provided. For this reason, both countries have in the past promoted various development projects having a number of purposes, largely involving the use of the lake's waters for irrigation and energy. The studies for all these preliminary projects and projects were based on estimated water balances, in the absence of any information regarding the water balance calculated with reliable data or scientific consistency. With greater scientific knowledge about water resources, as well as about solar energy and wind power, both countries will be able to carry out, either jointly or separately, scientific studies in such areas as agrology, geology, forest agrostology, climatology, etc., in order to formulate socio-economic development programmes for the region which will enhance the living conditions of its inhabitants.

#### Enhanced State administration

68. The Government of Peru assigns responsibility for efficient planning through decentralized management at the regional level to the State, bearing in mind the principle of central authority and national unity. However, there are institutions and companies which, even though they are currently active in more than 50 per cent

of the national economy, suffer from excessive bureaucracy, a lack of information, inefficiency, insufficient training and a general lack of morale which creates even greater and more serious problems.

69. In the past, various technical co-operation activities in this sector, including those carried out by the United Nations, sought to provide adequate training in national administration by means of general reforms in the administrative machinery. This approach yielded no results and was unable to effect change as swiftly or as extensively as change was occurring in society.

70. The Government of Peru will make use of international technical co-operation under this programme to strengthen the country's administrative capacity and modernize that capacity via a thematic or sectoral approach. Efforts will focus on modernizing public administration in those sectors or areas that may be of strategic importance in fostering the desired economic and social changes.

71. The technical co-operation programme is to play a predominant role here. Under the programme, efforts will be made to strengthen State administration through, inter alia, the development of information systems for the decision-making process, the strengthening of the national planning system, the modernization of the Ministry of Foreign Affairs, the centralized management of public investment, State decentralization, the strengthening of the national monitoring system, a dismantling of bureaucracy, price-regulation and, lastly, the establishment of flexible mechanisms to enhance the provision of technical co-operation.

#### Ongoing projects

##### PER/84/005, Development of information processing within the Ministry of Foreign Affairs

72. The project for the development of information processing within the Ministry of Foreign Affairs is to be implemented as part of the efforts to strengthen the State's administrative capacity in sectors of strategic significance in fostering the desired economic and social changes. Initially, the Ministry's information-processing infrastructure is to be reinforced through the upgrading of its information systems, staff, training, optimum utilization of computer hardware and the refinement of administrative procedures. In a subsequent phase, technical training in the decision-making process as applied to international relations will be provided.

##### PER/84/007, System for public-investment project analysis, prioritization and monitoring

73. Government-initiated changes in economic and social policy aimed at striking a better balance between basic growth and distribution objectives call for the reorganization, modernization and revitalization of a series of activities designed to standardize, direct and enhance public-sector activities relating to investment and the provision of services. The objective of the project is the design and installation of an integrated information system which will provide support for the co-ordination, analysis, prioritization, programming and monitoring of public investment projects.

PER/85/003, Support for technical co-operation activities among developing countries

74. Experience continues to show the benefits that can be obtained from the use of specialists or institutions from countries experiencing similar problems who can offer solutions that are more appropriate to conditions with which they are familiar; thus, the project will promote technical, economic, scientific and cultural co-operation between Peru and developing countries through the establishment of appropriate machineries that will enable Peru to enhance its ability to accept and provide co-operation.

New projects

Reform of State machinery and public administration

75. The principal objectives of this project are the modernization, decentralization and democratization of the State and the creation of ties between the Government and the populations of the high Andes and disenfranchised urban areas.

Training for decentralized administration

76. The project seeks to systematize the acquisition of public administration methodologies by officials of the central Government, State enterprises and national development corporations. To this end, the Government is currently studying the establishment of a graduate centre for development studies at which the training of high-level officials could take place.

Information and management system

77. One of the Government's fundamental objectives is to overcome the current socio-economic fragmentation, the inadequate representation of this situation to the upper echelons of government and the distribution of responsibility for the elaboration and presentation of contemporary economic analyses. The National Planning Institute is the agency responsible for solving these problems through the introduction of modern information-processing techniques.

Strengthening of the national planning system

78. The current Government's philosophy attaches fundamental importance to planning as an instrument of management. Consequently, it is imperative that the existing infrastructure of the national planning system should be reinforced so that it can work efficiently and swiftly to correct undesirable trends affecting the major macro-economic variables and priority goods and services.

79. The major components of these efforts are to be manpower training, development of methods and instruments, recognition of the importance of financial considerations in plans, design of joint-venture mechanisms and development of methodologies for the incorporation of scientific and technological variables in plans.

### National monitoring/de-bureaucratization system

80. Project objectives are to: (a) improve public administration at the central and local government, State enterprise, decentralized institutional and National Congressional levels through the training of managers and the consolidation of existing managerial systems; (b) improve the economic and financial situation of the public sector in order to reduce the deficit and stimulate the private sector by increasing the national financial system's access to credit; and (c) carry out reforms in selected areas in order to reduce the burden of the public and private sectors. This last objective may involve the sale of certain State enterprises as well as the "de-bureaucratization" process.

81. The process of de-bureaucratization is not scheduled to affect the entire public administration; rather, it is conceived of as a highly specific programme to be carried out in selected high-priority areas for the purpose of achieving concrete short-term results. Priorities will be set in terms of the Government's objectives and the importance of public administration in various individual fields in so far as the country's general development is concerned.

### Labour legislation

82. Labour is recognized under the Constitution as the principal and major factor in the creation of wealth; the State has an obligation to foster and guide the relations which management and labour must maintain in order to provide workers with a monetary income that will enable them to meet their needs and those of their families. The State also has an obligation to foster greater productivity via a specific and productive relationship with enterprises; it is therefore imperative that the country set out and codify a unified and consistent legal structure to make all this possible.

83. This necessity becomes more urgent in certain areas of labour law, in which legal provisions are disparate and even contradictory; special reference is made in this connection to collective bargaining, the right to strike and the formation of trade unions. There is thus a need to implement a project having as its objective the preparation of a draft labour code.

### Educational administration and planning

84. The objective of this process is to upgrade the quality and efficiency of the educational system through the use and improvement of educational technologies, the educational infrastructure and equipment and the modernization of programmes of higher education in the field of technology.

### Extreme poverty

85. Innumerable studies as well as the experience of Peru and Latin America as a whole have shown that sustained levels of high economic growth may have very little effect on those strata of society that live completely outside the country's economy. One can cite all too many periods which have exhibited active economic growth marked by high growth rates for production and consumption which have coincided with persistent unemployment, hunger, illness, illiteracy and high infant mortality rates in the lowest income sectors.

86. What is more, at present, as the Peruvian economy, like the economies of all Latin American countries, is faced with the task of repaying enormous amounts of international debt which will require severe economic adjustment and a policy of austerity, it is imperative that specific measures should be taken, not only to prevent the burden of readjustment from falling once again on those with the lowest incomes, but to integrate them once and for all in national life and the country's collective development effort.

87. Available employment figures clearly illustrate the deterioration in the level of employment. The percentage of the economically active population having adequate employment dropped from 54.4 per cent in 1978 to 31.7 per cent in 1984. In other words, two thirds of this population is, simply, underemployed or unemployed.

88. The population explosion, rural migration caused by the stagnation of the agricultural sector and the inability of that sector and the industrial sector to absorb the ever-growing labour force in urban areas has resulted in the creation of the so-called urban informal sector, composed of unemployed members of the labour force (43 per cent of the urban economically active population in 1982) who, in order to survive, engage in various activities not covered by the rules which govern the development of the economy.

89. Although the elimination of extreme poverty is primarily a structural problem whose solution calls for financial resources rather than international technical co-operation, it was decided that co-operation with the United Nations system should be sought because the system has a vast and recognized experience which may be of even greater use in formulating and implementing the plans which the Government of Peru intends to carry out in this area. These are: planning and policies relating to employment and income in rural areas and underprivileged marginal urban areas; food security; planning of basic health services; microregional planning and decentralization of State management for integrated rural development; direct food assistance programmes; population planning programmes; programmes to provide coca planters with alternate sources of income, and planning and policies relating to education and efforts to combat illiteracy.

#### Ongoing projects

##### PER/85/007, Planning for employment in rural and urban areas

90. This project seeks to assist the competent State agencies in their efforts to enhance their capacity for formulating and evaluating urban and rural employment and income policies in the short term. This will satisfy, one of the major priorities of the Government's economic and social programme, providing a heretofore marginal segment of the population with access to production and consumer markets.

91. To this end, the project will assist the Government in achieving the following three objectives:

(a) The formulation and evaluation of short-term employment and income policies;

(b) The implementation of programmes to create extensive part-time employment opportunities in both urban and rural areas;

(c) The elaboration of a support methodology for the urban informal sector and arrangements to increase income and enhance the quality of the work in that sector.

#### New projects

##### Food security

92. A high-level evaluation is to be conducted with UNDP support; this would enable the Government to supervise activities to be carried out as part of a specific project to implement and expand the national food security programme.

##### Microregions

93. UNDP co-operation is required to implement one of the microregional projects in a series of programmes and projects for integrated rural development at the microregional level to which the Government has attached priority.

##### Health

94. Among its objectives, the Government of Peru is emphasizing the need to improve the precarious living conditions of a major segment of the population by combating hunger and malnutrition and, in general, meeting the basic needs of the population at levels that will allow it to live with dignity. To this end, the project will provide support for the integrated health development programme, with special emphasis on primary health care.

##### Support for other priority activities

##### Ongoing projects

##### PER/77/007, Conservation and restoration of the Peruvian cultural heritage

95. The project comprises activities aimed at affirming the national identity and indigenous forms of cultural expression by cultivating an awareness of the country's cultural heritage, thereby promoting the integration of the country's different ethnic groups, each with its own spiritual values. It is also anticipated that the project will have a positive impact on the economic sector through the reactivation of cultural activities in so far as they are related to knowledge of Peru's indigenous skills in such areas as agriculture, traditional medicine and public housing, as well as the preservation of the country's natural and cultural heritage. Special attention is given to the restoration of the architecture of historic cities of intermediate size.

##### Reversal of the brain drain

96. This project is designed to create a mechanism which will enable the country to utilize Peruvian talent located abroad to provide advisory services in connection with specific activities; this would facilitate the return of professionals to Peru (TOKTEN modality). The project is to be carried out in close collaboration with the Intergovernmental Committee for Migration (ICM).

Annex

FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

	\$	\$
A. <u>UNDP-administered sources</u>		
Third cycle IPF balance	(1 000 000)	
Fourth cycle IPF	13 750 000	
Subtotal IPF		12 750 000
Special Measures Fund		-
Special Programme Resources	-	
Government cost-sharing	-	
Third-party cost-sharing	-	
Operational funds under the authority of the Administrator	-	
UNDP special trust funds	-	
Subtotal, UNDP non-IPF funds		-
B. <u>Other sources</u>		
Funds from other United Nations agencies or organizations firmly committed as a result of the country programming exercise	-	
Parallel financing from non-United Nations sources	3 280 274	
Subtotal, other sources		<u>-</u>
TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING		<u><u>16 030 274</u></u>

II. USE OF RESOURCES

Ongoing projects	2 076 827	
New project proposals	10 223 000	
Programmed reserve	2 127 420	
Subtotal, programme resources		14 427 247
Unprogrammed reserve		<u>1 603 027</u>
TOTAL USE OF RESOURCES		<u><u>16 030 274</u></u>

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