Country case study

External finance for rural development

Country case study: Peru

Javier Pereira

December 2020

Key messages

- Agriculture and rural development are considered the main drivers of development in rural Peru, where people are highly dependent on agricultural income. The vulnerability of the agriculture sector has been highlighted by the Covid-19 pandemic.
- However, while public spending on agriculture and rural development could rise in the short term, external borrowing for the sector is not expected to increase. The pipeline of projects could be adapted to the specific needs of the Covid-19 recovery, but the annual external borrowing plan for 2020 has not been changed.
- Technical expertise is the main factor that drives external development finance operations for agriculture and rural development. Finance terms are not seen as a top priority because Peru can often obtain finance in international markets at better terms than those provided by multilateral partners.
- The volume of external assistance does not justify a dedicated strategy setting out principles or preferences. Even so, our survey respondents and interviewees valued project sustainability, flexibility and long-term financial support, as well as alignment to national priorities, earmarking and the absence of policy conditionality.

Introduction

Background

Rural development worldwide relies heavily on private funding. Yet the public sector has a key role to play in providing both investment and policy support to tackle persistent market failures. These include the under-provision of public goods (such as infrastructure and research and development), negative externalities (such as the need to adapt to and mitigate the effects of climate change), informational asymmetries (e.g. the development of rural financial services) and the lack of protection for vulnerable people through, for example, social protection.

Far more finance is needed to achieve food security and promote sustainable agriculture in line with Sustainable Development Goal (SDG) 2. The United Nations (n.d.) estimates that an additional $267 billion per year is needed to achieve every SDG 2 target: almost twice as much as total official development assistance (ODA) each year from all donors combined. Official development finance (ODF)[1] to agriculture and rural development rose slightly from $10.2 billion in 2015 to $10.9 billion in 2018. This is only a fraction of the total ODF disbursements of $254 billion in 2018. Public expenditure on agriculture development also remains low: since 2001, governments have spent, on average, less than 2% of their central budgets on agriculture (FAO, 2019).

Objectives, definitions and methodology of this country case study

This country case study summarises key findings from a country analysis of financing for rural development in Peru. It is one of 20 analyses that is synthesised for comparison in Prizzon et al. (2020).

The case study has two main objectives:

- to map demand from the Government of Peru over the next five to 10 years for external development assistance to support public investment in inclusive and sustainable rural development
- to analyse the financial and non-financial terms and conditions of such demand, its main preferences and the type of instruments that the government wishes to access or scale up to support public investment in rural development.

Definitions

What we mean by public investment in inclusive and sustainable rural development (see Prizzon et al., 2020, for more details). Our research has focused on six areas that contribute to such investment: access to agricultural technologies (research and development) and production services; agricultural value-chain development (e.g. crops, livestock, fisheries); climate-resilient agricultural practices; rural basic infrastructure (e.g. water and irrigation systems, local roads, local energy generation and storage facilities); rural financial services; and rural investment environment (e.g. policy, legal and regulatory frameworks).

What we mean by external assistance for inclusive and sustainable rural development. We look beyond ODA to include government-to-government funds from bilateral and multilateral donors that do not meet concessionality criteria[2] (usually defined as other official flows, or OOFs). We call this official development finance (ODF). As a proxy for financing rural development, we examine data on external assistance to the agriculture sector and rural development (cross-cutting) based on an Organisation for Economic Co-operation and Development (OECD) definition. This is not a perfect measure,

1 The sum of ODA and OOFs: the latter flow from bilateral and multilateral donors that do not meet the concessionality criterion for ODA eligibility.

2 The definition of concessionality is based on the share of the grant element. With the 2014 OECD reform, the grant element varies according to the income per capita of the ODA-eligible country to be counted as ODA: at least 45% for low-income countries (LICs), 15% for lower-middle-income countries (LMICs) and 10% for upper-middle-income countries (UMICs). The International Monetary Fund (IMF) discount rate (5%) is also adjusted by income per capita group: 1% for UMICs, 2% for LMICs and 4% for LICs, including least-developed countries (LDCs).

but given the lack of a sectoral definition or attribution to rural development as such, it is the closest we can get to a consistent, cross-country mapping of external assistance from development partners. As a second-best option, we rely largely on quantitative and qualitative data on agricultural development. While the agriculture sector is a major component of rural development, data on agriculture alone cannot capture important non-farm activities.

Research questions

This country case study reflects our four main research areas:

- the government's priorities for public investment in inclusive and sustainable rural development
- financing for public investment in inclusive and sustainable rural development
- borrowing (external development assistance) for this public investment
- the government's preferences in relation to external development assistance for public investment, including its demand for specific types of instruments.

As this project took place during the early stages of the Covid-19 pandemic, we also reflect the short- and medium-term implications of the crisis for government priorities and preferences for public investment, as well as the amount and type of external assistance demanded.

Methodology

We used a qualitative case study approach, with the analysis of individual countries informed by a political economy framework, as developed by Greenhill et al. (2013) for aid negotiations (see Prizzon et al., 2020).

Our approach comprised a critical review of relevant policy literature[3] and data analysis,[4] which also helped us to identify country stakeholders. This was followed by interviews with key informants, informed by an electronic questionnaire submitted before each interview. For Peru, we held 14 interviews between May and July 2020, and received 12 questionnaires (see Annex 1 for a list of those interviewees who agreed to their names being shared).

Peru: country context

Peru has been classified as an upper-middle-income country (UMIC) since 2008 and is eligible for non-concessional terms from the International Bank for Reconstruction and Development (World Bank) only. The country is also eligible for non-concessional finance from the Inter-American Development Bank (IDB), and the government can request support from the IDB's flexible financing facility (IDB, 2011).

Peru has been often been used as a regional model for macroeconomic management. In the early 2000s, when commodity prices were high, Peru built up its reserves of foreign exchange, adopted a prudent macroeconomic framework, kept public and external debt levels low and even started to diversify its economy (IMF, 2019). The country managed to wade through the 2008–2009 global financial crisis and emerge in better shape than others.

An increasingly diversified economy is led by agriculture exports. While oil and gas still account for about two-thirds of total exports, agriculture exports have expanded significantly. In 2019 they accounted for 2.7% of gross domestic product (GDP) ($6 billion), up from 0.4% in 2001 (IMF, 2019). The agricultural boom has been concentrated mostly in the country's coastal region, where the conditions for high added-value crops and intensive agriculture are most favourable.

Peru has, in effect, two agricultural systems. Agriculture accounts for 6.9% of GDP and 27.2% of employment (World Bank, 2020b), but these figures hide two very different realities. Out of a total of 4.5 million agricultural workers, 0.8 million work in the highly productive export-oriented agriculture in coastal areas (IMF, 2019). The remaining

3 Government national and sectoral strategies, debt management policies, Article IV reports from the IMF and Inter-American Development Bank (IDB) documents.

4 Spanning IMF, OECD and World Bank sources.

3.7 million workers work mostly in rural areas where traditional agriculture is still dominant. What is more, their work is, for the most part, informal (IMF, 2019). Rural areas across Peru account for 22% of the country's total population of the country (World Bank, 2020b).

The country has achieved strong poverty reduction, over the past two decades: the result of a combination of economic growth, social policies and public investment. The national poverty rate fell from 54.8% of the population in 2001 to 21.7% in 2017 (IFAD, 2018). Poverty has also fallen dramatically in rural areas but, even so, it remains almost three times higher than in urban areas (44.4% compared to 15.1% in 2017) (INAI, 2020). The agricultural sector, and the rural people who depend on it, are considered to be particularly vulnerable to climate change and natural disasters (IFAD, 2018).

In 2001, Peru held a referendum and launched a decentralisation process that is, as yet, unfinished, and with mixed results (McNulty and Guerra Garcia, 2019). For the agriculture and rural development sector, decentralisation presents both opportunities and challenges. On the one hand, it can increase the participation of regional and local governments in policy implementation. On the other, it is hampered by poor institutional capacity for implementation at the sub-national level (IFAD, 2018).

Government priorities for rural development

Agriculture is defined as an important priority for the government, as seen in the National Agrarian Policy (PNA), approved in 2016 – the legal text that defines the sectoral priorities. The PNA has two objectives: greater agricultural productivity and access to markets, and the effective management of Peru's natural resources and biodiversity. The PNA also positions smallholders (family farming) as a central part of government support for the agriculture sector.

The PNA proposes a highly integrated approach to agriculture development through 10 areas of action. These cover several different aspects of agriculture and rural development, including natural resource management, infrastructure, agricultural training and technology, access to land, health and safety regulations, access to finance and risk management. Agriculture is a priority sector for external borrowing, a sign of its prioritisation by the current administration. Another indication of the importance of agriculture for Peru's development priorities is that it is one of the largest beneficiaries of external debt operations.

The PNA was developed just before a change in government. While it remains the highest level of guidance for public efforts in the agriculture sector, some of our interviewees expressed concerns that the different areas of work have not been developed sufficiently through concrete plans.

One exception, however, is smallholder farming. In 2019, the government approved the National Plan on Family Agriculture (PLANAF) 2019–2021. The plan develops the National Strategy on Family Farming 2015–2021 under the framework of the PNA. Its main objective is the progressive increase of the incomes of family farmers through an integrated approach that includes agriculture development and infrastructure, as well as social and environmental aspects.

Through the PLANAF, the government has sharpened its focus on smallholders, who are the backbone of Peruvian agriculture outside the large commercial farming activities in the coastal region. In addition, both the PNA and the PLANAF state that interventions are to be developed through approaches that are sensitive to gender, inequality, and cultural diversity.

Peru's fear of 'contagion' by unrest elsewhere in the region (such as the tensions in Chile) has also prompted a much stronger focus on social issues in rural regions. The wide poverty gap between rural and urban areas, as well as between poorer and richer regions, fuels inequality and the migration of young people from rural areas into the cities – factors that are seen as a threat to the country's stability.

Implementation challenges include the problems around decentralisation, as well as a lack of coordination. Taken together, these result in low execution rates. As noted, the decentralisation process launched in Peru in 2001 is not yet finalised, and while the different regions are now responsible for implementing agricultural policy, they face major capacity constraints.

In addition, competencies at the central level remain divided across different ministries, with the Ministry of Agriculture having a stronger focus on commercial farming, while the Ministry of Social Inclusion and Development (MIDIS) works on the greater inclusion of smallholders and subsistence farmers. These different viewpoints are also reflected when it comes to priorities. The Ministry of Agriculture focuses on agriculture value chain development, access to technology and extension services, and basic infrastructure. In turn, MIDIS adopts a broader focus and, through the Cooperation Fund for Social Development, aims to develop the productive capacities of the rural population.

Agriculture is now at the centre of the government response to the Covid-19 pandemic. While the top priority has been to protect lives and health, a national report developed in response to the crisis sets out actions for the supply and the production of basic goods (including food) as another priority, as well as emergency policies to ensure access to markets (CEPLAN, 2020). Peru's lockdown has reduced rural agricultural income significantly: prices have dropped as demand has fallen from businesses that have been forced to close, and farmers have faced restrictions on their access to markets.

To support farmers and rural families, the government has adopted policies to expand social safety nets to stop lower incomes jeopardising future agricultural seasons. Many farmers in rural areas depend on seasonal income to buy the inputs they will need for the next season.

Regional governments have also been asked to develop plans to reactivate the economy as the crisis recedes. The national assembly of regional governments (ANGR) has also identified agriculture and other productive activities in rural areas as central components within these plans (ibid.).

Financing rural development

Public finance

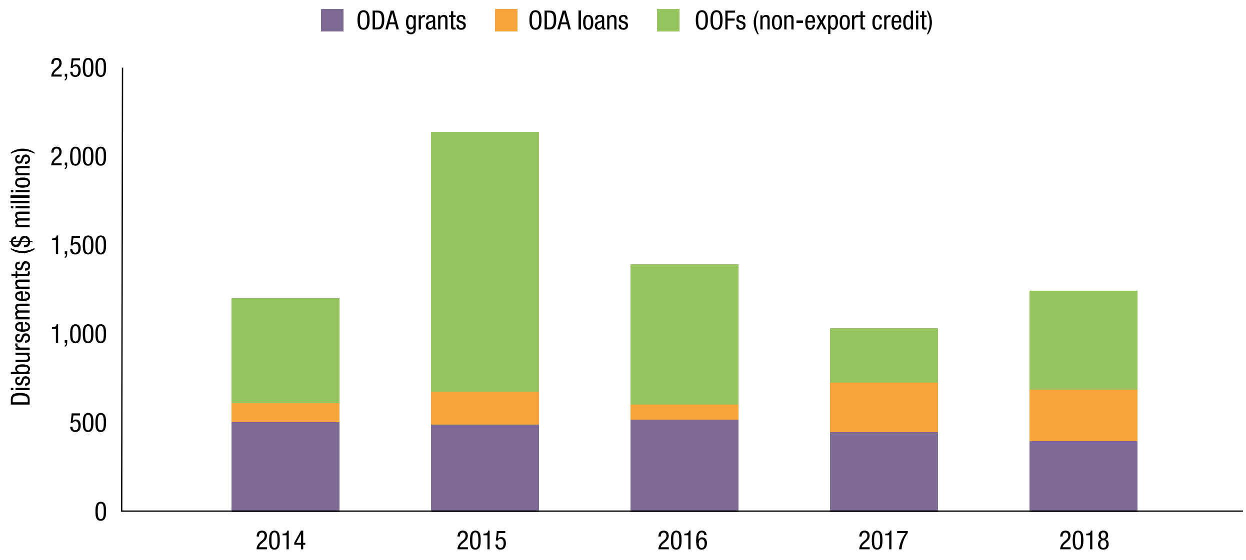
Government revenues are relatively low, at 20% of GDP in 2019 (World Bank, 2020b) as a result of tax collection levels that are below the regional average (IMF, 2019). Even so, the country is in a very strong fiscal and macroeconomic position. Peru had a low level of public debt in 2018 (26% of GDP) and had international reserves equivalent to 26% of GDP (ibid.). The country also has a fiscal stabilisation fund that held $5.4 billion, or 2.4% of GDP, at the end of 2019 (MEF, 2020).

The Covid-19 crisis will, of course, affect public spending in the short term. At the end of May 2020, the government approved an emergency and recovery package worth 17% of Peru's GDP. While it is expected that some of its funding will come from existing reserves, the government has also issued $3 billion in bonds to benefit from low international debt rates. The expansion of public spending in 2020 could be balanced by a far tighter budget in 2021 to maintain macroeconomic stability. However, this might not affect public investment as there is significant room to improve budget execution (IMF, 2019).

Public spending on agriculture and rural development has been increasing in recent years. Between 2018 and 2020, the government budget expanded by 12% (PIA 2020), and while it is not possible to provide an aggregated figure, public expenditure for agriculture in the annual budget has increased from 2.4% in 2018 to 3.2% in 2020. These figures include expenses beyond the Ministry of Agriculture, such as some infrastructure investments, as well as a share of social protection, which accounts for 3.8% of the budget (ibid.). The sector is also expected to benefit from the Covid-19 recovery package.

Public spending on agriculture and rural development is likely to increase in the short term. Agriculture remains a priority sector for emergency and recovery measures and will receive additional funding in 2020 as a result of the Covid-19 crisis (see previous section). According to our interviewees, however, this funding will come from government resources (including the issuance of debt), rather than from dedicated borrowing, bilateral or multilateral operations. Government resources can be mobilised faster, are more flexible (as they are not tied to projects) and can provide access to finance at lower rates of interest).

Figure 1 Official development finance disbursements



Note: constant 2017 prices. ODA official development assistance; OOF, other official flow.
Source: OECD (2020)

External development assistance

Peru benefits from sizeable levels of official development finance, even if it accounts for a relatively small proportion of gross national income (GNI). On average, Peru received over $500 million a year in concessional finance over the period 2014–2018 (Figure 1). ODA grants still outweigh ODA loans, but their importance has decreased in recent years. Non-concessional flows are relatively stable if we exclude 2015 and are, on average, somewhat larger than concessional flows.

The spike in 2015 was the result of finance operations related to the subway project in Lima supported by the World Bank, the IDB and the Development Bank of Latin America. Concessional sources accounted for 0.2% of GNI in 2018 (OECD, 2020), but their volume is still significant. Peru's largest development partners are, in order, the United States, Germany, the European Union (EU), France and Japan.

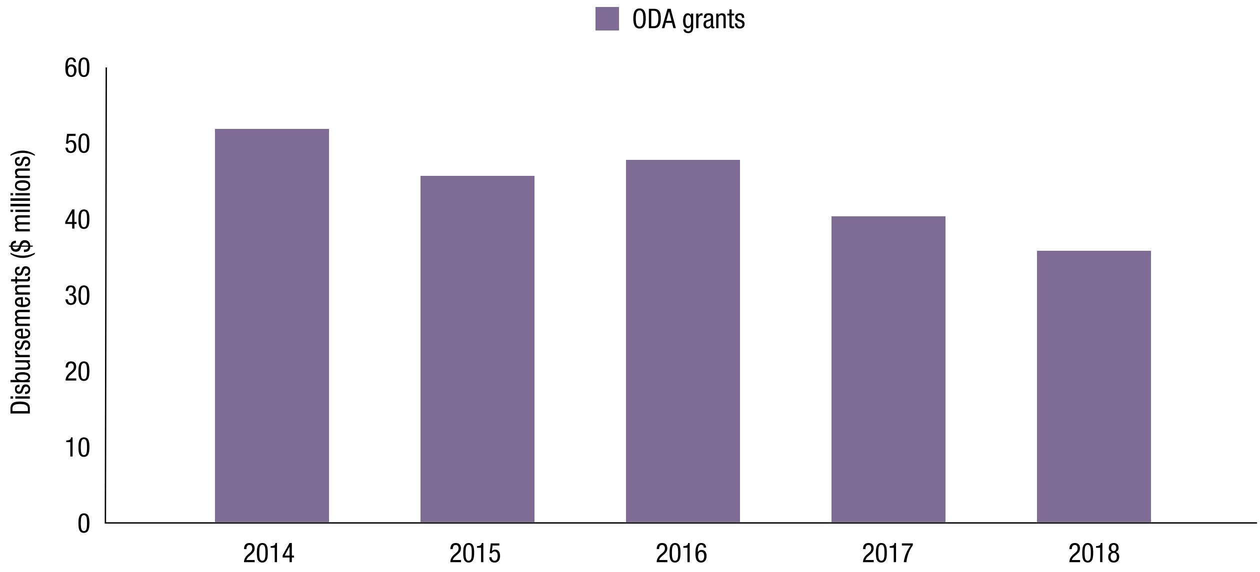
Agriculture is a priority sector for external borrowing. It is currently the third most important budget area when measured in the allocation of public debt resources if we exclude debt service (MEF, 2020). Only transport and sanitation, both defined by hard infrastructure projects, have been allocated a higher amount of public debt resources.

According to our interviewees, the priority of agriculture for external development finance is the result of a combination of factors. These are: the central role of agriculture in rural areas and the fight against poverty; a good track record and positive contribution of development partners to the sector (knowledge, practices, etc.); and a growing commercial agriculture sector that continues to attract funding.

Donor data, however, does not provide an accurate reflection of the importance of the sector. As shown in Figures 2 and 3, OECD data only captures ODA grants when the results are filtered for agriculture and rural development. OECD data does not show any ODA loans or OOF operations in this area.

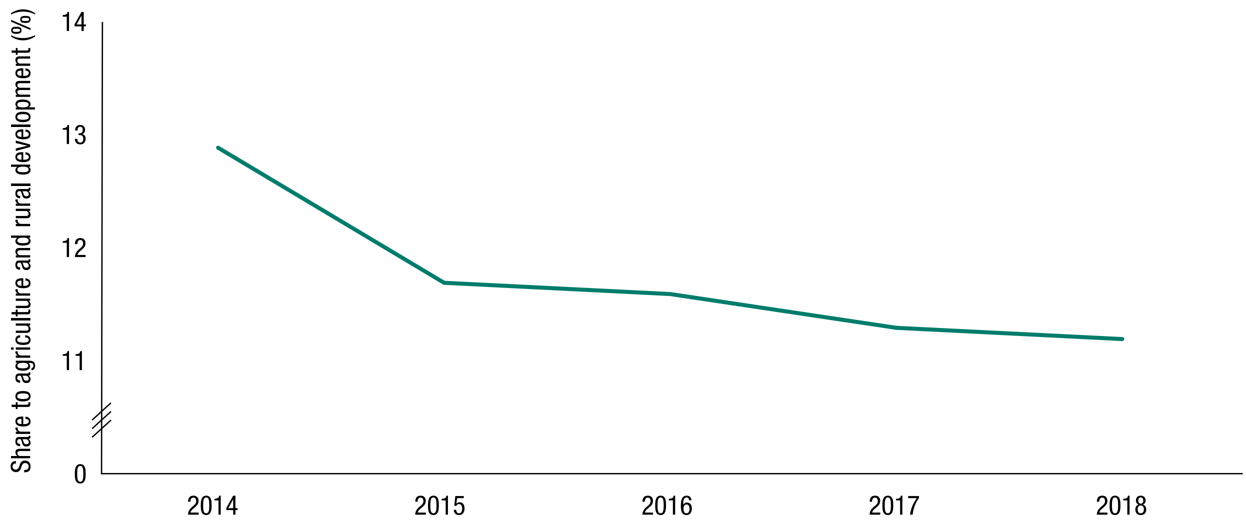
The volume of ODA grants to agriculture and rural development has been decreasing slowly over time in both absolute and relative terms. In 2018, the sector received a total of $36 million in ODA grants, equivalent to 11.2% of all ODA grants received by the country as a whole. However, these figures do not capture several operations by the International Fund for Agricultural Development (IFAD) and the World Bank, which our interviewees considered as targeting agriculture and/or rural development. This points to the limitations of the OECD coding system and to the multidimensional nature of external finance operations.

Figure 2 Official development finance disbursements to agriculture and rural development



Note: constant 2017 prices. ODA, official development assistance.
Source: OECD (2020)

Figure 3 Share of official development assistance to agriculture and rural development



Source: OECD (2020)

The sustained demand for external development finance is largely the result of its strong added value. Our interviewees noted three main areas where the added value of external development assistance is particularly strong for the agriculture and rural development sector.

First, external finance can bring in knowledge and experience at different levels. Policy dialogue and policy advice from development partners working in the agriculture sector was identified as a key contribution. At a lower level, development partners can help Peru to learn from the experience of – and import – models from other countries. In this area, some partners are highly valued for their recognised expertise and their ability to implement solutions designed to reach specific population groups.

Second, projects managed and implemented by development partners are considered to bring added value through better monitoring and more efficient systems for implementation.

The third factor that is valued by the government is the ability of external partners to ensure the sustainability of projects and approaches through political cycles. This is linked, in part, to project management and implementation procedures, but also to the ability of certain partners to focus on beneficiaries and a perception of these partners as neutral actors from a political point of view.

Borrowing for rural development

Strong macro-prudential management and low debt levels give Peru access to markets under good terms, but limits the country's borrowing. Its public debt ratio stood at 26.8% in 2019 (IMF, 2019; FitchRatings, 2020). In comparison, debt levels stood at 48.7% in 2003 (MEF, 2018). Lower debt ratios mean lower risk for investors, enabling access to markets at good financial terms, but borrowing space is limited by a legal debt ceiling of 30% of GDP and a dual expenditure growth ceiling (on non-interest expenditures and current expenditures) (MEF, 2019b).

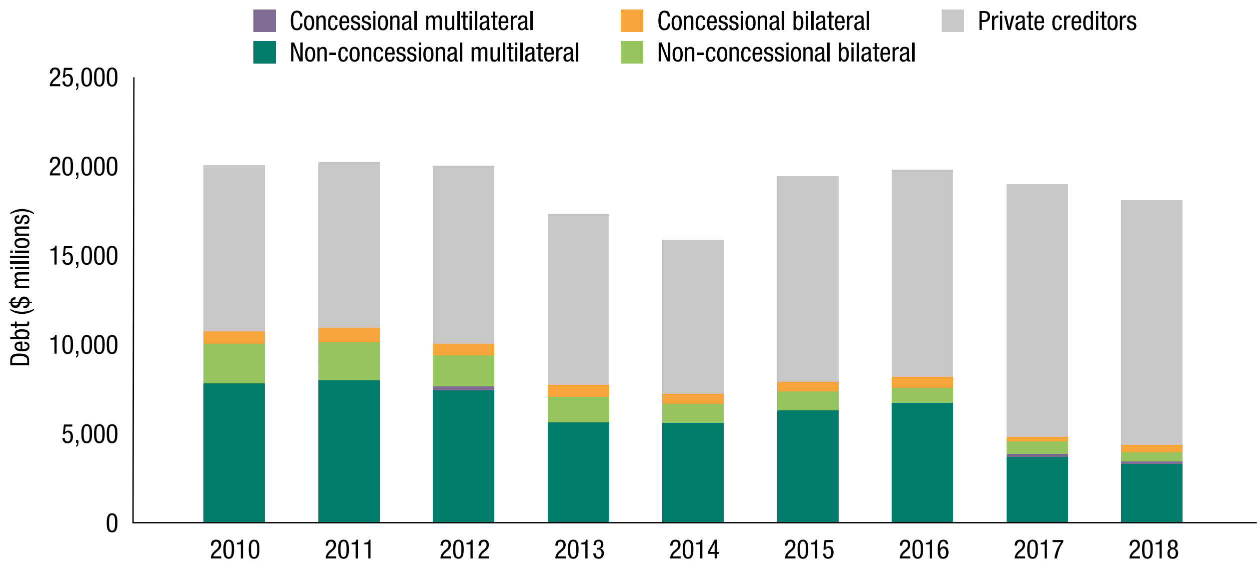
The quality and balance of Peru's public debt have improved over time. Figure 4 shows that Peru has become less reliant on multilateral lending and has increased its borrowing in international capital markets. This trend has been fuelled by favourable interest rates as a result of the country's low debt levels and its strong macro-prudential management. The amount of bilateral concessional and non-concessional lending has also decreased over time.

The quality of public debt has also increased as a result of lengthening the average maturity of obligations, raising the share of local currency liabilities, and increasing the share of fixed-rate borrowing instruments (IMF, 2019). In the coming years, the government aims to push ahead with progress in these three areas, with local currency-denominated bonds being the top priority (MEF, 2019a).

The country's strong fiscal discipline has, however, been broken by the Covid-19 pandemic. The recovery package approved by the government equals 17% of GDP and has lifted the 30% debt ceiling, invoking the escape clause that provides for increased flexibility in the event of disasters or external shocks to the economy. Public debt is expected to reach 33% of GDP in 2020 (FitchRatings, 2020).

In addition to external debt, the government will also withdraw money from its fiscal

Figure 4 Public and publicly guaranteed debt



Source: World Bank (2020a)

stabilisation funds. Based on information from our interviewees, it seems that the government is committed to returning to fiscal discipline as soon as possible, and preliminary discussions on the 2021 budget point to a tightening of public spending.

Despite the prioritisation of agriculture and rural development, external borrowing for the sector is not expected to change. Even if public spending on agriculture and rural development could increase (see the previous section), the annual external borrowing plan for 2020 (Programa Anual de Concertaciónes Externas) has not been altered, according to our interviewees. This plan contains all projects that are expected to be signed off during the year. While projects within the plan are likely to be adapted to the changed circumstances caused by the Covid-19 crisis, the total envelope remains unchanged.

The main motivation for external finance is the added value it brings, but certain financial criteria also apply. Our survey respondents expressed a preference for softer finance terms (below market interest rates) and larger volumes, but these were not considered dominant by stakeholders working in the agriculture and rural development sector.

Peru already has access to cheap finance in international markets. As a result, it is reasonable that the overall cost of finance is scrutinised when evaluating external finance operations with development partners. Financial criteria are, therefore, considered to be financial checks, rather than the main drivers of the operation. As discussed in the previous chapter, external finance is still valued in Peru, with the technical expertise and added value of operations being the most influential factors. Several interviewees indicated that the assistance of some development partners, including IFAD, is very specific to particular policy sectors.

Another aspect that makes development finance attractive to Peru is the use of technical assistance grants to support project development and implementation. Technical assistance grants are, in general, linked to the approval of the finance operation. Given that the interest of the government in external finance is driven by its added value, including the transfer of knowledge and capacity-building, technical assistance is often seen as an important condition for Peru's engagement in external finance operations in agriculture and rural development. The country has some experience in the use of reimbursable technical assistance, but as discussed in the next chapter, there does not seem to be a strong demand for it. Some interviewees also mentioned that its appeal is limited by legal hurdles and complex processes.

Interviewees also raised an issue that is particularly relevant in the context of Peru. First, some of our interviewees argued that there is a minimum amount of finance that countries are willing to negotiate, as transaction costs are not highly dependent on the volume of finance. If the volume of finance falls below a certain threshold, transaction costs might be seen as too high and the operations could not go ahead. However, other interviewees indicated that this is not a criterion in Peru's finance operations and that the projects included in the annual plan (Programa Anual de Concertaciones Externas) are negotiated independently of the volume and transaction costs.

Preferences and instruments for rural development

Preferences for development assistance for rural development

Peru does not have a dedicated strategy on development assistance that sets out specific principles or preferences. Our interviews and the survey results revealed that project sustainability was the aspect most valued by respondents. This is based on the perception that external assistance should help to improve the way government does things and apply the processes and lessons learned. Linked to this, flexibility and long-term financial support are also seen as important to support change processes.

Alignment with government policies also came up strongly in the interviews, as well as the absence of policy conditionality. Both of these principles resonate strongly with the aid effectiveness agenda and are prized in a country that does not depend on external finance.

Another preference that also emerged strongly from our survey is for funds to be earmarked. In a country where execution is often challenging as a result of decentralisation and lack of coordination, earmarking is seen as a way to ensure that funds are spent where they are needed. Earmarking is also reinforced in a context where technical assistance and grant support for project implementation facilities are considered key contributions, given the ongoing decentralisation process.

Demand for other types of instrument

Interviewees expressed demand for different types of instruments. First, there is a demand for instruments that build on the perceived added value of external assistance (knowledge exchange, implementation efficiency, innovation in approaches/project design, etc.). In this regard, there is demand for project preparation facilities, multi-phase lending and results-based lending.

Second, interviewees expressed an interest in Catastrophe Deferred Drawdown Option (CAT-DDO). This is probably motivated by the country's vulnerability to natural disasters and its recent experience of the Covid-19 pandemic.

Third, the Peruvian government values the ability to obtain finance from markets on good terms, and this makes the assistance offered by some multilateral actors less competitive. It also opens the door for blending operations. In particular, our interviewees revealed that some multilateral institutions have started to consider the idea of blending non-concessional finance with grants from climate funds to make them more appealing to the government.

Our interviewees did not identify a strong demand for reimbursable technical assistance, even though they acknowledged that the offer of non-reimbursable grants for technical assistance is likely to fall in the coming years. Peru has benefited from reimbursable technical assistance programmes from the World Bank, IDB and the EU. Reimbursable technical assistance is managed by the Ministry of Finance and is subject to debt ceilings and fiscal rules.

Conclusions

Our analysis of the experience and perspective of Peru on financing public investment for inclusive and sustainable rural development, and particularly its demand for external assistance, is summarised as follows.

- Agriculture and rural development are considered the main drivers of development efforts in rural areas. Peru's rural population is highly dependent on agricultural income and the country has a large poverty gap between rural and urban areas. The Covid-19 pandemic has highlighted the vulnerability of the rural population and the agriculture sector to external shocks. The country's ambitious recovery package will, therefore, prioritise rural populations and the productive sector.
- Public spending on agriculture and rural development could increase in the short term. The government has lifted the debt ceiling and has approved a recovery package worth 17% of GDP to help tackle the effects of the Covid-19 crisis. Additional resources will come from government sources that can be mobilised faster and that are more flexible, as they are not tied to projects. The government also has access to international financial markets at low interest rates.
- External borrowing for agriculture and rural development is not likely to change. Even if public spending on agriculture and rural development could increase, the annual external borrowing plan for 2020 (Programa Annual de Concertaciónes Externas) has not been altered. While the pipeline of projects could be adapted to the specific needs created by the Covid-19 crisis, the volume remains the same.
- Technical expertise is the main factor that drives external development finance operations for agriculture and rural development. While interviewees expressed a preference for softer finance terms (low interest rates and long maturities), as well as larger volumes, these were not considered dominant by stakeholders working in the agriculture and rural development sector.

Indeed, Peru can often obtain finance in international markets at better terms than those provided by multilateral partners. Financing terms offered by multilateral organisations are also considered to be relatively inflexible.

- As in many upper-middle-income countries, the volume of external assistance does not justify a dedicated strategy on development assistance that sets a certain number of principles or preferences. However, interviewees indicated that the most valued aspect of external assistance was project sustainability, which goes hand-in-hand with flexibility and long-term financial support. Alignment with government policies also emerged strongly from our interviews, as well as the absence of policy conditionality. Finally, earmarking was seen as an important attribute for external assistance.

References

CEPLAN – Centro Nacional de Planeamiento Estratégico (2020) 'Informe Nacional del Perú 2020: la protección de la vida en la emergencia y después. Borrador para comentarios'. Lima: CEPLAN (www.gob.pe/institucion/ceplan/informes-publicaciones/925877-informe-nacional-del-peru-2020-la-proteccion-de-la-vida-en-la-emergencia-y-despues).

FAO – Food and Agriculture Organization (2019) 'Government expenditure on agriculture'. Online database. Rome: FAO (www.fao.org/economic/ess/investment/expenditure/en/).

FitchRatings (2020) 'Correction: coronavirus will test Peru's strong fiscal policy credentials'. New York and London: Fitch Wire (www.fitchratings.com/research/sovereigns/coronavirus-will-test-perus-strong-fiscal-policy-credentials-20-04-2020).

Greenhill, R., Prizzon, A. and Rogerson, A. (2013) *The age of choice: developing countries in the new aid landscape*. ODI Working Paper 364. London: ODI (www.odi.org/publications/7163-age-choice-developing-countries-new-aid-landscape).

IDB – Inter-American Development Bank (2011) 'Proposal for a flexible financing facility for ordinary capital for sovereign guaranteed loan operations'. Washington DC: IDB (www.publicdebtnet.org/pdm/.content/Report/REPORT_20110714095348-copy.html).

IFAD – International Fund for Agricultural Development (2018) 'Republic of Peru country strategic opportunities programme 2019–2024'. Rome: IFAD (https://webapps.ifad.org/members/eb/125/docs/EB-2018-125-R-27.pdf?attach=1).

IMF – International Monetary Fund (2019) *Peru: 2019 Article IV consultation – press release; staff report; staff statement and statement by the Executive Director for Peru*. Washington DC: IMF (www.imf.org/en/Publications/CR/Issues/2020/01/13/Peru-2019-Article-IV-Consultation-Press-Release-Staff-Report-Staff-Statement-and-Statement-48942).

INAI – Instituto Nacional de Estadística e Informática (2020) 'Statistics on living conditions and poverty'. Lima: INAI (www1.inei.gob.pe/estadisticas/indice-tematico/living-conditions-and-poverty/).

McNulty, S.L. and Guerra Garcia, G. (2019) 'Politics and promises: exploring fifteen years of Peru's participatory decentralization reform' *Public Organization Review* 19: 45–64 (https://ideas.repec.org/a/kap/porgrv/v19y2019i1d10.1007_s11115-018-0419-5.html).

MEF – Ministerio de Economía y Finanzas (2018) 'Estrategia de gestión global de activos y pasivos 2019–2022. Ministerio de Economía y Finanzas'. Lima: MEF (www.mef.gob.pe/contenidos/tesoro_pub/gestion_act_pas/EGIAP_2019_2022.pdf).

MEF (2019a) 'Estrategia de gestión global de activos y pasivos 2020–2023'. Lima: MEF (https://cdn.www.gob.pe/uploads/document/file/818692/EGIAP_2020_2023.pdf).

MEF (2019b) 'Marco macroeconómico multianual 2020–2023'. Lima: MEF (www.mef.gob.pe/contenidos/pol_econ/marco_macro/MMM_2020_2023.pdf).

MEF (2020) 'Balance del fondo de estabilización fiscal a 31/12/2019'. Lima: Ministerio de Economía y Finanzas (www.mef.gob.pe/contenidos/tesoro_pub/fef/FEF2019.pdf).

OECD – Organisation for Economic Co-operation and Development (2020) 'Creditor reporting system'. Paris: OECD (https://stats.oecd.org/Index.aspx?DataSetCode=CRS1).

PIA – Presupuesto Institucional de Apertura (2020) 'Proyecto de ley del presupuesto del sector publico para el año fiscal 2020. Distribución del gasto del presupuesto del sector publico por nivel de gobierno y funciones'. Lima: PIA (www.mef.gob.pe/contenidos/presu_publ/sectr_publ/proye_2020/Anexos/Anexo5.pdf).

Prizzon, A., Chen, Y., Jalles d'Orey, M.A. et al. (2020) *External finance for rural development: a synthesis of country perspectives*. ODI report. London: ODI (www.odi.org/publications/17723-external-finance-rural-development-synthesis-country-perspectives).
UN – United Nations (n.d.) *Zero hunger: why it matters*. New York: United Nations (www.un.org/sustainabledevelopment/wp-content/uploads/2018/09/Goal-2.pdf).
World Bank (2020a) 'International debt statistics'. Washington DC: World Bank (https://data.worldbank.org/products/ids).
World Bank (2020b) 'World development indicators'. Washington DC: World Bank (https://databank.worldbank.org/reports.aspx?source=World-Development-Indicators).

Annex 1 List of interviewees

Name	Institution
Javier Abugattás	Centro Nacional de Planeamiento Estratégico (CEPLAN)
Bruno D. Barletti Pasquale	CEPLAN
Marco Camagni	International Fund for Agricultural Development (IFAD)
Elba Viviana Caro Hinojosa	Inter-American Development Bank
Jose Antonio Gonzalez Norris	Agencia Peruana de Cooperación Internacional
Alberto Hart Potesta	Agencia Peruana de Cooperación Internacional
Noemí Marmanillo Bustamante	Ministerio de Agricultura
Liliana Miro Quesada	IFAD
Antonio Mori Kuriyama	CEPLAN
Gladys Negron Hurtado	Agencia Peruana de Cooperación Internacional
Olga Violeta Rigacci Jimenez	Ministerio de Economía y Finanzas
José Angello Tangherlini	Programa de Desarrollo Productivo Agrario Rural (Agro Rural)
Griselle Vega Isuhuayla	World Bank
Carlos Jesús Vilela del Carpio	Ministerio de Desarrollo e Inclusión Social

Acknowledgements

This country case study on Peru is part of a project that aims to map future demand from recipient country governments for external development assistance from official donors to support public investment in inclusive and sustainable rural development over the next five to 10 years. It also aims to explore the financial and non-financial terms and conditions of this assistance. Its analysis is also included in the synthesis report for this project (Prizzon et al., 2020), which reviews the experiences of 20 low- and middle-income countries.

We are grateful to the interviewees who gave up their time to take part in this project, share their insights and provide feedback to this country case study, particularly during the challenging times of spring 2020. Their contributions were vital to corroborate and challenge our initial analysis.

We acknowledge the generous financial contribution from the International Fund for Agricultural Development (IFAD). We would like to thank Marco Camagni (IFAD Country Director for Peru), and Liliana Miro Quesadas and Rocio del Pilar Chirinos from the IFAD country team for their support in the preparation of this country case study.

We have taken care to validate the information included in this case study and any omissions, errors or misreporting are unintentional and the author's own. The views expressed in this study do not represent those of ODI or IFAD.

This document has been produced with the financial assistance of IFAD. The findings, opinions, interpretations and conclusions expressed in this publication are those of the authors and do not necessarily reflect the reviews of IFAD, its Executive Board, its Members, or any Member State they represent. IFAD does not guarantee the accuracy of the data included in this work. The boundaries, colours, denominations and other information shown on any map in this work do not imply any judgement on the part of IFAD concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Evidence.
Ideas.
Change.

ODI
203 Blackfriars Road
London SE1 8NJ

+44 (0)20 7922 0300
info@odi.org

odi.org
odi.org/facebook
odi.org/twitter

ODI is an independent, global think tank, working for a sustainable and peaceful world in which every person thrives. We harness the power of evidence and ideas through research and partnership to confront challenges, develop solutions, and create change.