

SOVEREIGN DEBT AND SOCIAL DEBT TO WOMEN IN PERU

A gender gap analysis





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Jr. Mariscal Miller 2622, Lince, Lima – Peru

Phone: (51)(1)711-1914

latindadd@latindadd.org

www.latindadd.org

General coordination:

Carlos Bedoya

New Financial Architecture Coordination:

Patricia Miranda

Produced by:

Daniela Berdeja

Comments and contributions:

Patricia Miranda

Rodolfo Bejarano

Verónica Serafini

Design and layout:

Jean Pierre Toribio

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ABSTRACT

Debt management in Peru has remained within the levels considered sustainable under international and national criteria. However, this has not translated into a reduction of economic inequalities and has been characterized by the absence of a comprehensive strategy to raise the living standards of the population. Since the health crisis, public indebtedness has been one of the highest in the region and, despite the fiscal efforts to deal with the pandemic and related effects, social setbacks have been observed, mainly by increasing gender gaps. The structural problems in Peru have not changed during the past 20 years. Regardless of the management of sovereign debt, the underlying vulnerabilities and fragile living conditions of the population have deteriorated rapidly in the face of shocks in recent years. The tax system as one of the primary transmission vehicles for debt repayment, regressive and gender-biased, entails that the burden of debt payments falls disproportionately on lower income groups and on women. Currently, the State maintains a contained sovereign debt, but a persistent social debt to Peruvian women.



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1. INTRODUCTION

Debt should be understood as a system whose effects spread across population through several channels. Its effects can be studied from a variety of angles: from the use of debt, with allocations that have not benefited the most vulnerable groups; from the private debt, which sharply reduces the available resources of households; from the public debt burden on the budget, as a constraint; from the debt repayment financed by regressive tax systems; and from the social debt State owes to its citizens. All of these approaches contribute to explain how social debt to women fits into the overall economic system. However, to more accurately quantify these effects, which should be incorporated into macroeconomic policy decisions, information gaps and a lack of transparency must be addressed.

This study seeks to analyse the current situation and evolution of sovereign debt in Peru, to explain some pathways in which it relates to gender inequality, and to illustrate the social and economic conditions faced by Peruvian women, defining them as a social debt.

Regressive tax system, fiscal rules, and debt management in Peru, aimed at which ensuring debt sustainability and 'healthy' macroeconomic indicators, do not necessarily lead to better conditions for the population. Structural inequalities persist and, in some cases, have worsened over time. Women continue to live in precarious conditions, there is evidence of setbacks of more than a decade, while they also face greater difficulties in recovering from crises.

The document is organised as follows: the second section presents some theoretical approaches that explain the connections between sovereign debt and gender justice, including a human rights perspective. The third, fourth, and fifth sections present the national and international economic context, debt situation, and tax structure of Peru, respectively. Social debt to women is analysed in the sixth section, based on an assessment of the gender gaps in three key dimensions: poverty, employment, and inequality. Finally, conclusions and recommendations are drawn.

2. CONNECTING PUBLIC DEBT MANAGEMENT, ECONOMIC AND GENDER JUSTICE: THE ROLE OF TAX SYSTEMS

Sovereign debt cannot be divorced from broader issues of public benefit (Lienau, 2016) and, building on this, human rights and justice considerations are covered in a number of academic papers that broaden the understanding of sovereign debt (Lumina, 2013; Bohoslavsky, 2016; Lineau, 2016; Stubbs & Kentikelenis, 2018; Serafini & Fois, 2021; Mencías, 2022), ranging from theoretical contributions to empirical research on the debt effects (Salti, 2015; Maebayashi & Konishi, 2021). In all cases, the primary goal of States is to ensure debts will be honoured, even if this means setting aside their duty to guarantee human rights.

Lienau (2016) emphasises a justice-based approach is entirely appropriate in discussions of sovereign debt, as well as the need to bring to the forefront issues and concerns that typically remain hidden in the field of international finance.

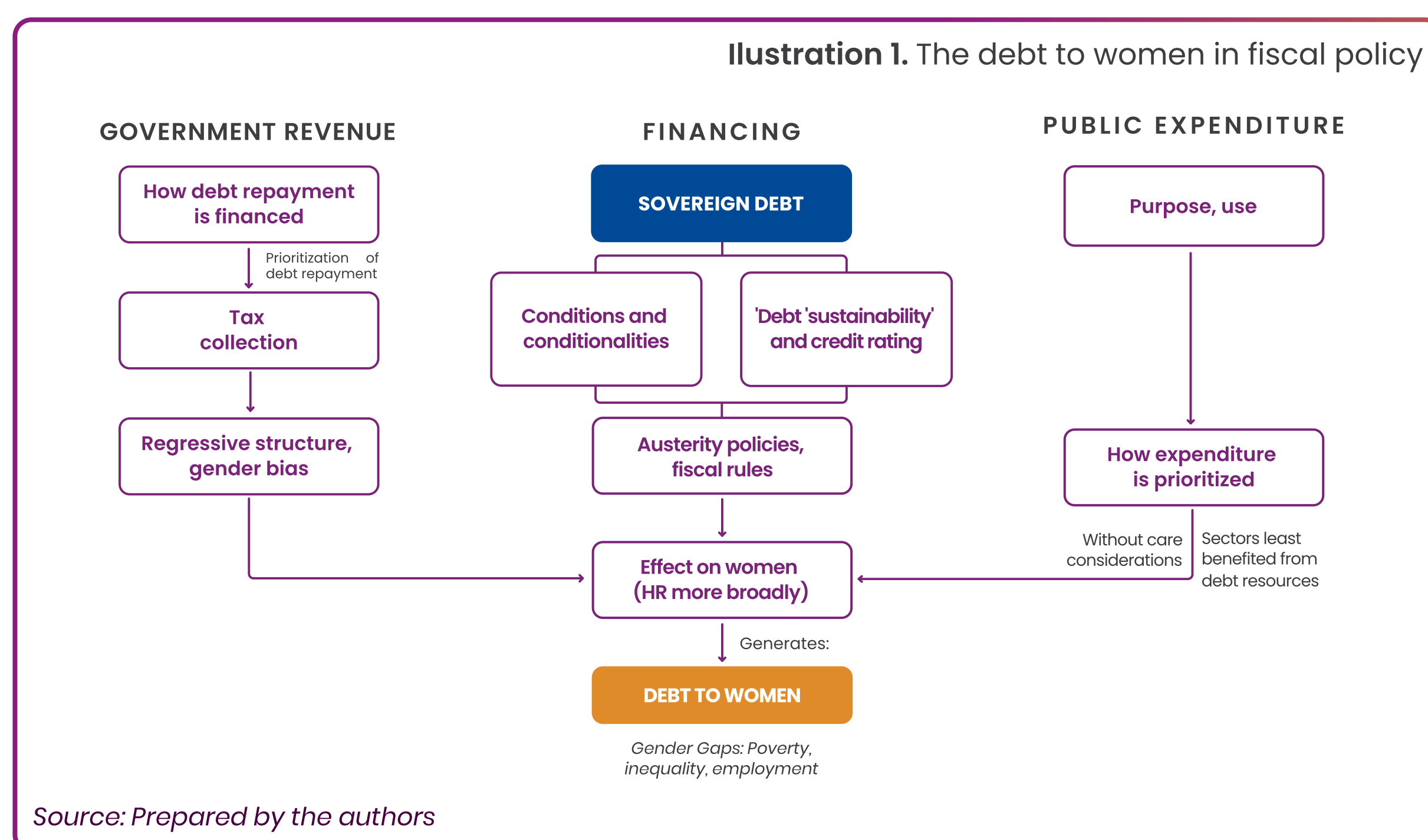
Along these lines, it is necessary to place the effects of debt and debt management in perspective. Salti (2015) proves that public debt is consistently regressive. The author finds regressive effects on inequality in his research of domestic debt. However, there may also be a bidirectional relationship in total sovereign debt, as argued by Bohoslavsky (2016), who examines inequality as a cause of rising debt and debt crises, as well as how debt affects inequality.

In a similar vein, Serafini and Fois (2021) explain that a nation's indebtedness has negative effects on welfare and that, in contexts of tax inequality, debt is ultimately repaid by the population groups that benefited the least from debt resources. It is also important to consider the inflexibility of expenditure and its use, since the structure could be regressive (Jones et al., 2022). Thus, public debt management has differentiated repercussions on the population.

Transmission mechanisms have been analysed from several angles, although largely regarding developing countries with debt distress or in a debt crisis. However, debt transmission effects may also extend to low- and middle-income countries not experiencing severe debt problems. The literature has mainly focused on two interconnected pathways. On the one hand, the diversion of resources away from basic public services (Lumina, 2013), which increases women's unpaid domestic work as an adjustment variable (Serafini & Fois, 2021; Jones et al., 2022), and turns women into involuntary shock absorbers, compensating for services the State is responsible for providing (Guillem, 2023). On the other hand, policy conditionalities of sovereign debt, particularly by international financial institutions, undermine countries' ownership of national development plans (Lumina, 2013; Stubbs & Kentikelenis, 2018).

Finally, it is important to note that the effects of debt and its management are not distributed equally across the population. Whether through the labour market or public policies, debt has impacted women in a differentiated way and, in most cases, in a more severe degree due to their role in social reproduction (Serafini & Fois, 2021).

Illustration 1 is an attempt to summarise all these approaches, analyses, and evidence. It depicts the function of debt in fiscal policy and its interconnection with justice matters, in this case, for women, and which can be expanded to the guarantee of human rights in a broad sense. Focusing on the elements of fiscal policy –revenue, expenditure, and financing– the mechanisms whereby sovereign debt is transmitted to women are disaggregated in each case, keeping this element at the centre of the analysis.



On the one hand, debt servicing depends on tax collection, and ensuring these payments becomes a priority for fiscal policy. On this course, the distribution of the debt burden is heavily influenced by the (regressive) revenue structure. Less favoured groups, such as women, bear a disproportionate share of the burden of debt repayment. In addition, gender biases are present in the design of tax systems (Stotsky, 2005; CEDLA, 2014; Almeida, 2021; Astudillo et al., 2022).

On the other hand, numerous studies and pieces of evidence demonstrate the close relationship between debt and austerity measures, shown from two perspectives: i) the design of debt contracts may implicitly or explicitly include certain policy conditionalities, and ii) the signals that States intend to reveal in terms of low sovereign risk, ensuring that debt is sustainable¹ and can be repaid. This also includes the use of fiscal rules (self-imposed austerity). The aim is to constantly balance the public budget to ensure no other considerations than debt repayment. As a result,

¹ The International Monetary Fund defines debt sustainability as the capacity of a State to meet all of its current and future payment obligations.

the costs are transferred to families, where women are typically the primary members responsible for sustaining welfare standards (Serafini & Fois, 2021).

Finally, the new sovereign debt contracted is linked to the allocation of this financing and the prioritisation of public expenditure, often used to pay off old debt. Care considerations are not included, and the population most benefited by debt resources may not necessarily be the ones in greatest need.

This paper concentrates on the first two paths for the Peruvian case, arguing that there is a social debt owed to women. Fiscal rules-based policies aimed at keeping nominal debt levels low and financing its repayment through an inefficient and regressive tax collection system represent a heavier burden for women and have failed to improve their living conditions.

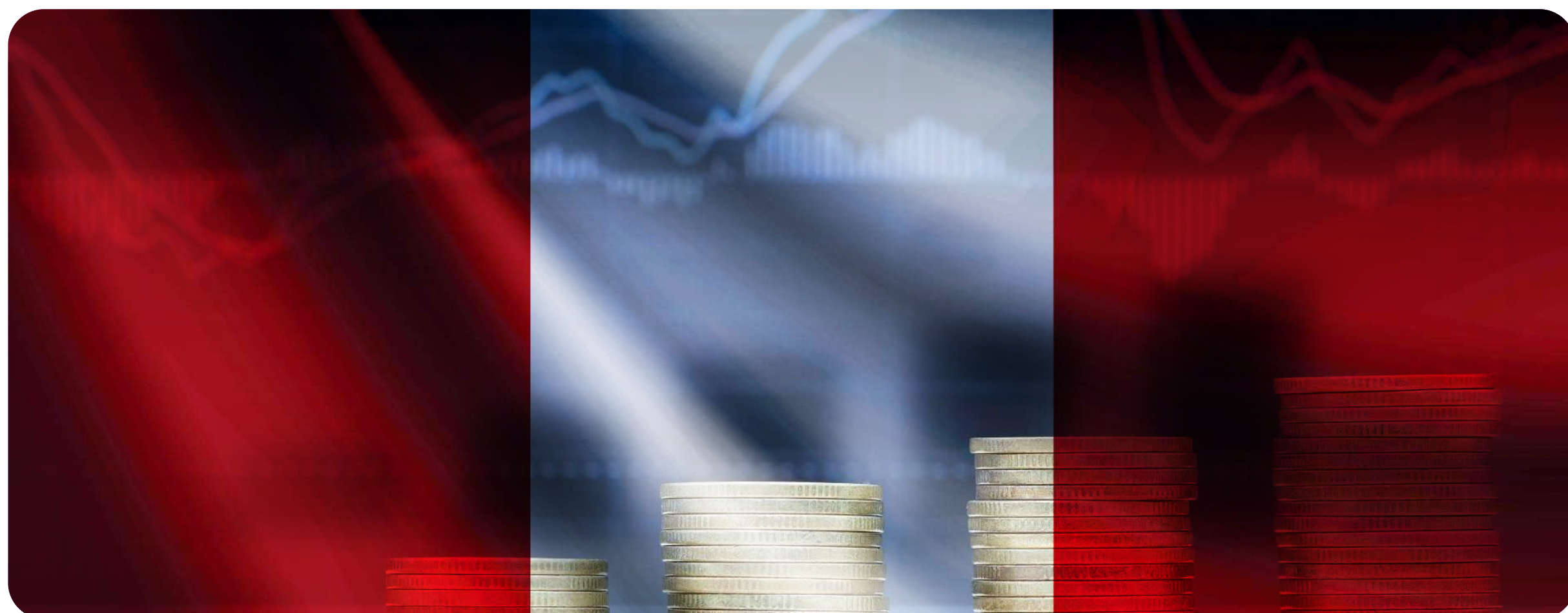


3. ECONOMIC CONTEXT: PERU AND THE WORLD

Although the global economy has rebounded since the first year of the pandemic, the subsequent recovery has been slow and uneven, and it is currently threatened by a context of uncertainty and mounting risks, including more frequent and extreme weather events, tighter international financial conditions, bottlenecks in global supply chains, and sharp price increases for a wide range of commodities (food and energy), among others.

Within Latin America, Peru was one of the most affected countries worldwide by the pandemic and war related effects. Among the negative consequences, the nation topped the world rankings for excess mortality during the health crisis², increased food insecurity between 2021 and 2022 affecting half of the population³, as well as other negative effects on poverty⁴ and inequality⁵, all of which disproportionately affect women. Regardless of the per capita income level and debt management, pre-existing structural conditions and vulnerabilities have determined the response capacity of Southern countries and the fragility of the social progress achieved. A prime example of this is Peru.

Peru's economic growth experienced one of the steepest declines during 2020, followed by a significant rebound in 2021; however, poverty and inequality reduction policies slowed due to structural rigidities in the labour market and inflation. The price level has risen more sharply in 2022 (Figure 1) and the Central Bank responded by increasing the monetary policy rate from 2.5 per cent in December 2021 to 7.5 per cent one year later, i.e., five percentage point change in one year (Annex 2).



²Peru as the country with the highest excess mortality worldwide, more than 160 per cent increase in mortality over the expected rate, based on historical trends. Data from the LAC Vulnerability Atlas (Latindadd & Jubilee USA). [Link](#).

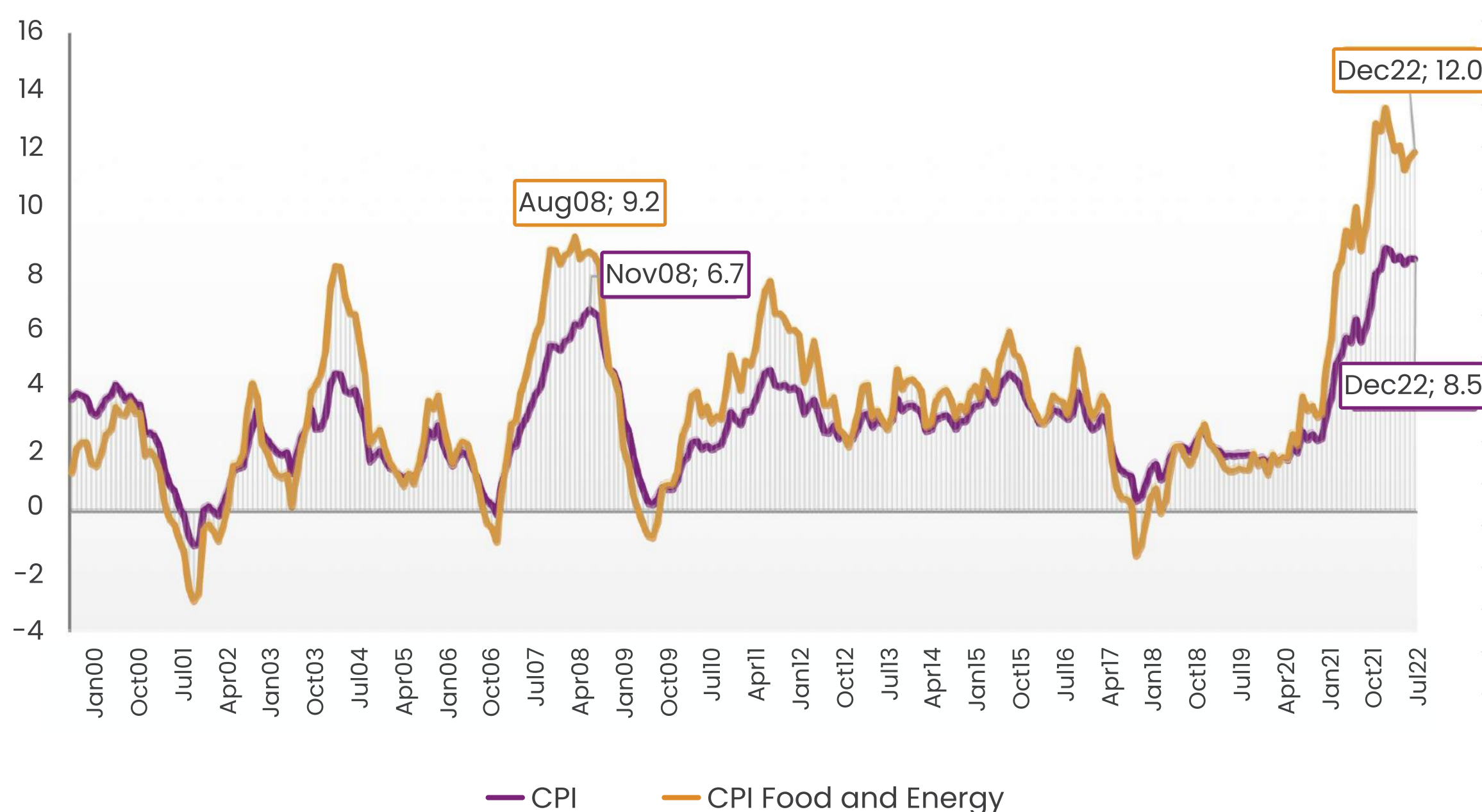
³In Peru, 50.5 per cent of the population lives in households that experienced moderate or severe food insecurity. Data from the LAC Vulnerability Atlas (Latindadd & Jubilee USA). [Link](#).

⁴According to the World Bank (2023), "although the mitigation package in Peru was one of the biggest in the region, it was insufficient to protect the vulnerable and the poor from falling (or falling further) into poverty." [Link](#). Seven in ten Peruvians are poor or at risk of falling into poverty. [Link](#).

⁵Peru the fourth most unequal country in the world. [Link](#) (Spanish only).

Governments face a trade-off between growth-supporting policies and prices-control policies⁶ as a result of global inflation, mainly in food and energy, which has raised cost of living. This also applies to Peru. Inflation in the nation has reached levels not seen in decades, increasing cost of living and eroding real wages, which, in a predominately informal economy⁷, affects well-being and the potential to restore pre-pandemic living standards, particularly among households in the lowest income quintiles.

Figure 1. Metropolitan Lima price index, Jan. 2000 – Dec. 2022 (12-month % change)



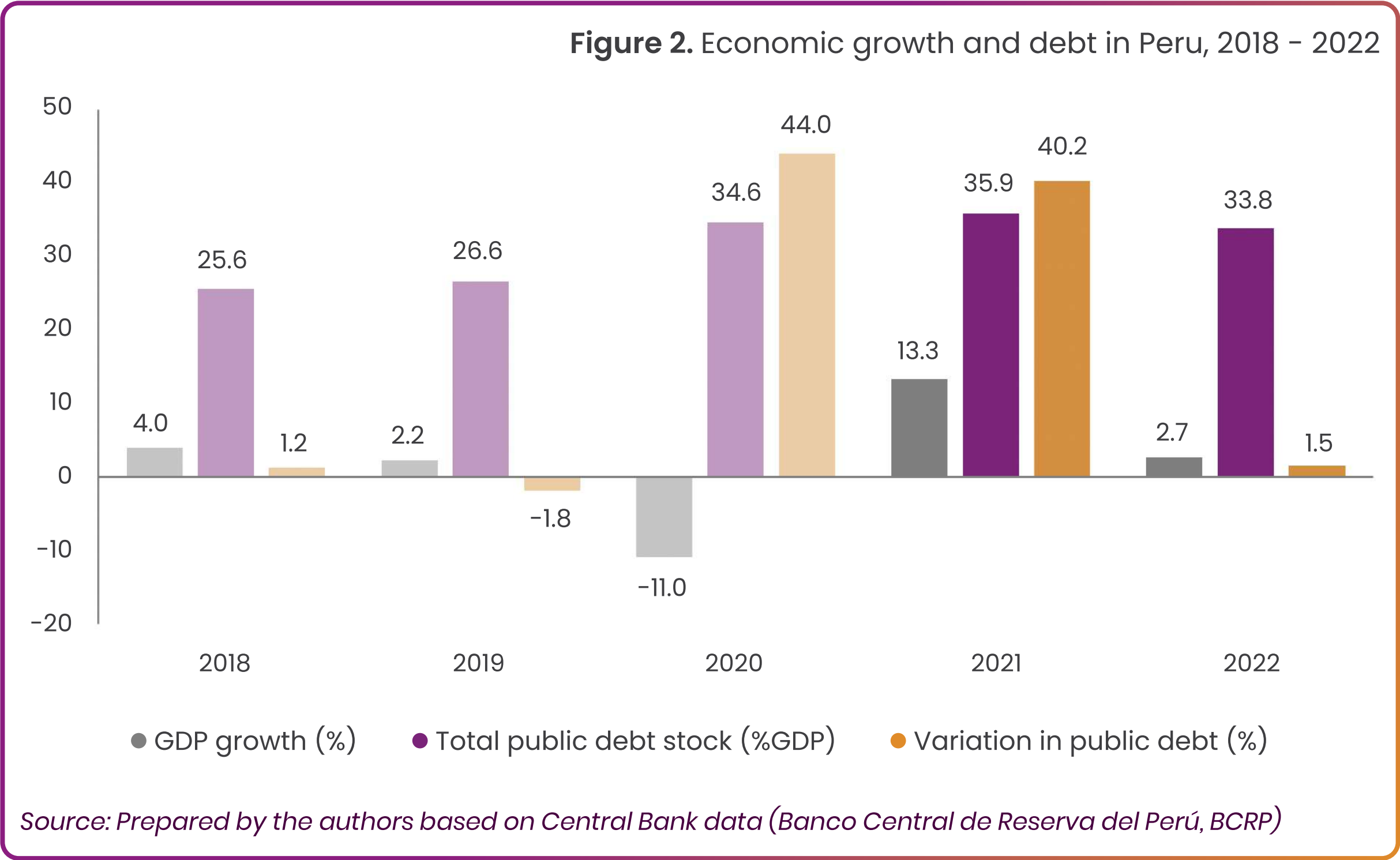
Source: Prepared by the authors based on Central Bank data (Banco Central de Reserva del Perú, BCRP)

Increases in interest rates in advanced economies have a direct impact on currency depreciation, exchange rates, and rising borrowing costs in EMDEs, particularly in Latin America and the Caribbean (LAC), where public debt rose by almost 10 percentage points of GDP during the first year of the pandemic and the debt service burden in the region was the highest compared to other emerging and developing regions as of 2021. Total external debt service in the region reached 43.6 per cent of exports and 12.4 per cent of GDP in 2021 (IMF, 2022; see Annex 1 for more details).

Public debt in Peru grew by eight percentage points of GDP during the first year of the pandemic and, despite GDP growth of 13.6 per cent in 2021, debt continued to growth for a second year by 40.2 per cent in 2021, bringing it to 35.9 per cent of GDP (Figure 2). By 2022, debt stands at 33.8 per cent of GDP.

⁶ Central banks in emerging markets and developing economies (EMDEs), until the first half of 2022, raised interest rates by an average of 3 percentage points, almost double the 1.7 percentage points in advanced economies (Georgieva, 2022).

⁷ Informal employment in 2021 was 68.4 per cent, according to data from the LAC Vulnerability Atlas (Latindadd & Jubilee USA). [Link](#).



Simultaneously, fiscal consolidation policies are becoming more prevalent. By 2023, 80 per cent of the population in LAC will be living under austerity measures (Ortiz & Cummins, 2022). Likewise, fiscal rules that were temporarily relaxed during the epidemic have been reinstated in a number of countries in the region, including Peru.

According to Peru's Multiannual Macroeconomic Framework (MMM), public debt is expected to decrease over the next few years, from 34.0 per cent of GDP in 2023 to 32.5 per cent of GDP in 2026, in accordance with the fiscal deficit rule outlined in Law N°31541 (2.4 per cent of GDP in 2023, 2.0 per cent of GDP in 2024, 1.5 per cent of GDP in 2025, and 1.0 per cent of GDP from 2026 onward) (MEF, 2022b). The IMF forecasts⁸ that between 2023 and 2025, the public debt will stay at 35.7 per cent of GDP. Although fiscal rules were temporarily and exceptionally suspended in Peru due to the pandemic shock between 2020 and 2021 (MEF, 2022c), a gradual return to them is planned to begin in 2022. In this regard, the current debt rule sets a ceiling of 38 per cent of GDP⁹. Thus, the intention is to maintain low debt levels in comparison with the average of emerging countries and Latin America (Annex 1).

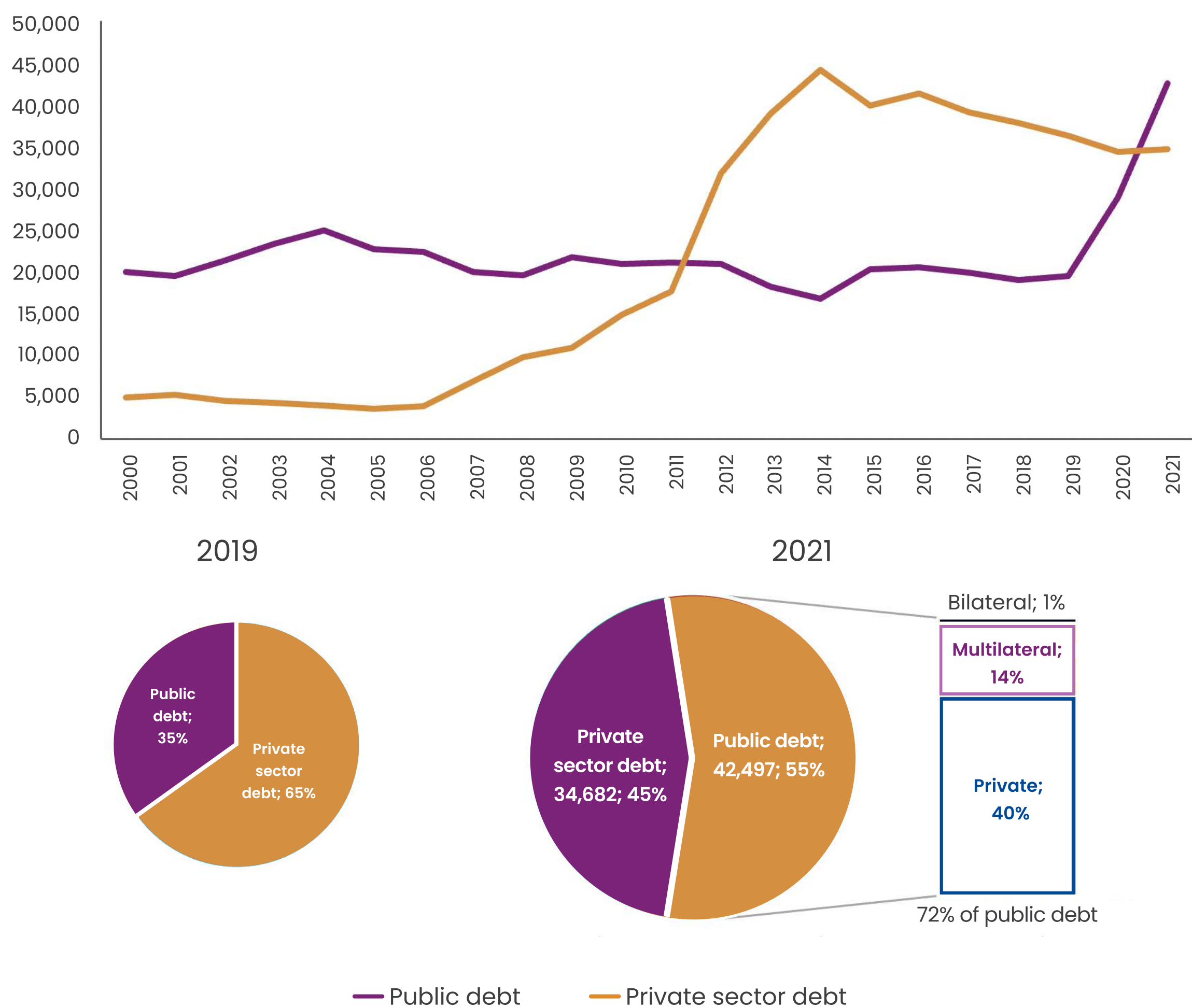
Tighter macroeconomic policy, along with weaker external demand and lower commodity prices, will mean a greater economic slowdown than initially projected. This situation affects the level of employment, increases inequality, particularly in economies with higher labour informality, and jeopardises the difficult recovery from the setback observed in 2020 in the Sustainable Development Goals (SDGs).

⁸ World Economic Outlook database, October 2022. [Link](#).
⁹ Starting in fiscal year 2023, gross public debt shall not exceed 38 per cent of GDP, and over a maximum ten-year horizon shall not exceed 30 percent of GDP. [Link](#) (Spanish only).

4. DEBT PROFILE AND SITUATION IN PERU

Debt can be distinguished between public and private debt, domestic and external debt, short-term and long-term debt, among other comparisons (by currency, by creditor, etc.). Focusing on total external debt, which includes public and private sector debt, as of 2012, there has been a shift in the comparative composition of Peru's external debt (Figure 3). Private sector external debt becomes more prominent. However, from 2019 to 2021, public debt grew the most, by approximately 119 per cent (US\$ 23,048 million) reaching US\$ 42,497 million by 2021, exceeding private debt, which amounts to US\$ 34,682 million¹⁰.

Figure 3. Comparative external debt structure in Peru (US\$ million)



Source: Prepared by the authors based on World Bank data

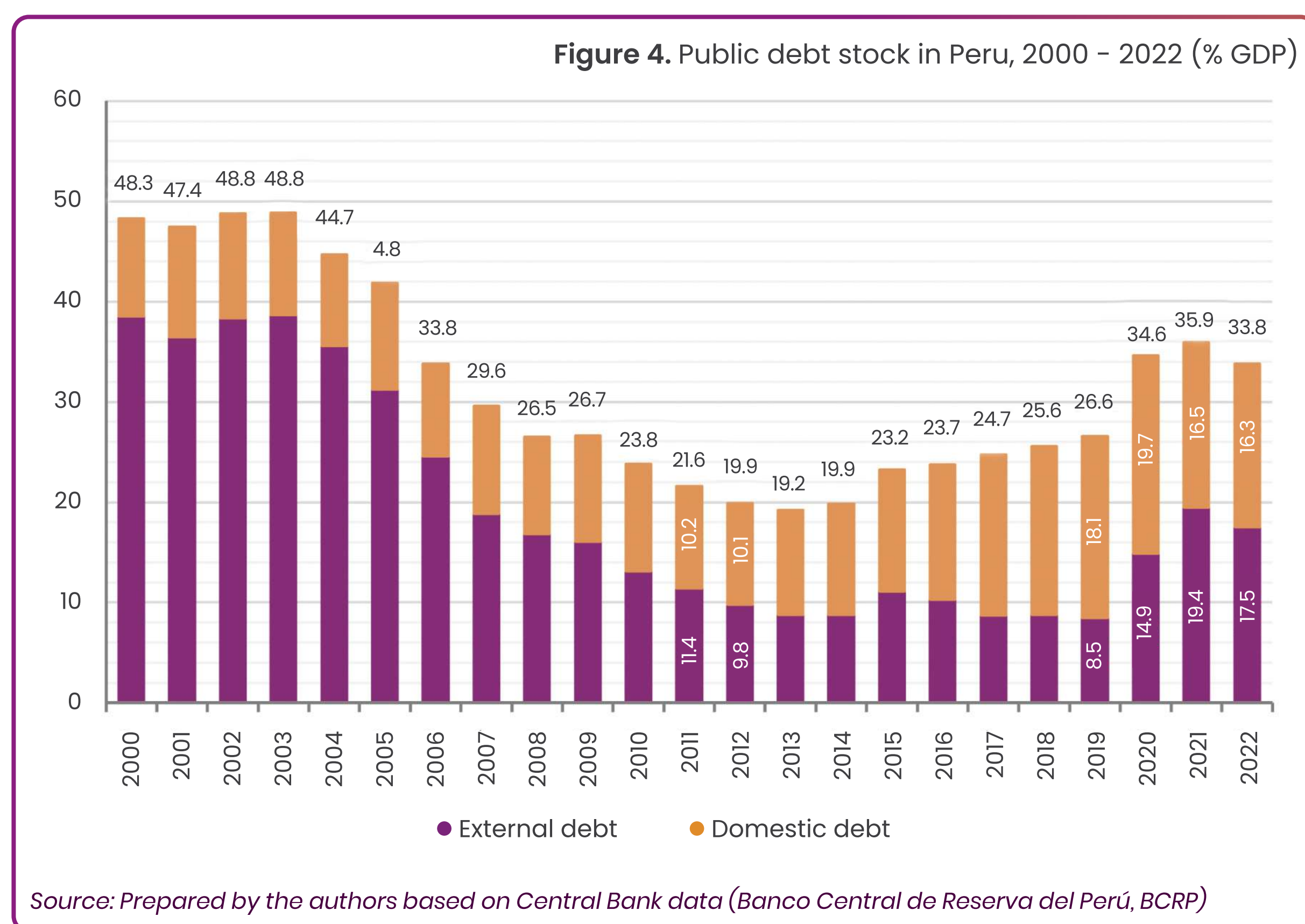
The total external debt of Peru represents 34.7 per cent of GDP. According to World Bank data, new external debt issuance was mainly by the public sector and through bonds (Annex 3).

¹⁰ Calculations based on World Bank international debt data (WB IDS). According to BCRP data, public debt grew by 102 per cent.

Although it is important to consider both public and private sector debt for economic policy decisions, the subsequent analysis in this report will focus on public sector debt, due to its growth in recent years and the burden it has on public finances, as well as its effect on the resources available for reducing poverty and inequality.

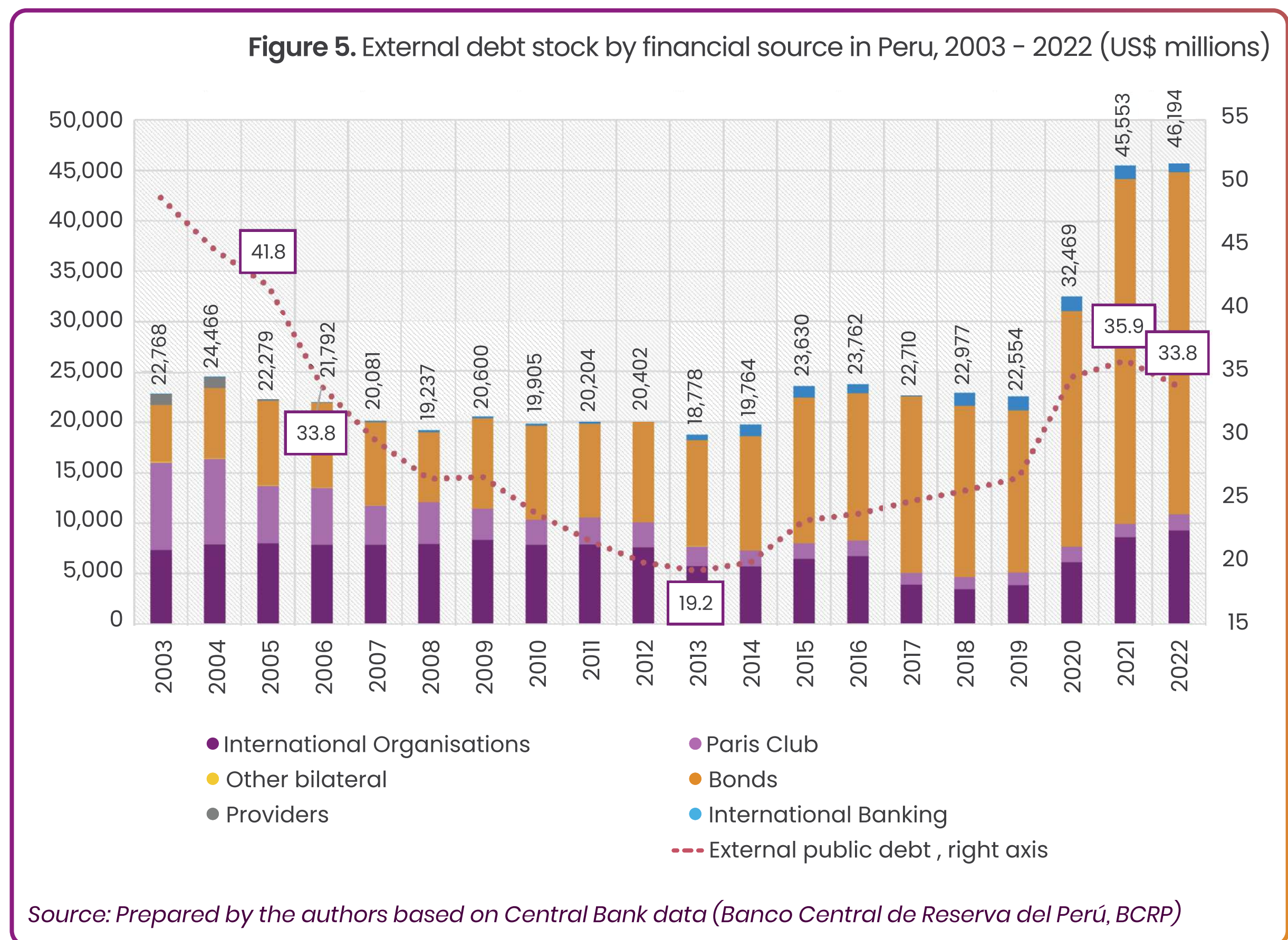
4.1. Evolution of total public debt and key external creditors

The debt to output ratio of Peru has increased consistently since 2013, with a significant spike during the first year of the pandemic. As was previously said, there was a large increase in external debt from 8.5 per cent of GDP in 2019 to 17.5 per cent of GDP in 2022. Currently, borrowing from external creditors has become the main source of public financing. Domestic debt, meanwhile, has also grown in 2020, but has declined to 16.3 per cent of GDP in 2022, a consistent level with that observed in recent years when domestic debt has taken on a more important role.



The management of external debt requires understanding, among other factors, how creditors are composed, knowing that 86.1 per cent of it was issued in US dollars (MEF, 2022a). The primary creditors are bondholders, who made up 75.2 per cent of the external public debt in 2021. This debt category has grown the most in the country, with an increase of approximately 242 per cent in the last ten years and 112 per cent between 2019 and 2021. Moreover, external debt with international organisations has also increased, accounting for 18.9 per cent of external debt. Since the pandemic, this type of financing has increased significantly, at a rate of 124 per cent.

Statistics from the Central Bank of Peru (Banco Central de Reserva del Perú, BCRP) show that the external public debt through the issuance of bonds increased from US\$ 16,137 million in 2019 to US\$ 33,939 million in 2022, while the external public debt owed to international organisations increased from US\$ 3,846 million to US\$ 9,269 million during the same period (Figure 5).

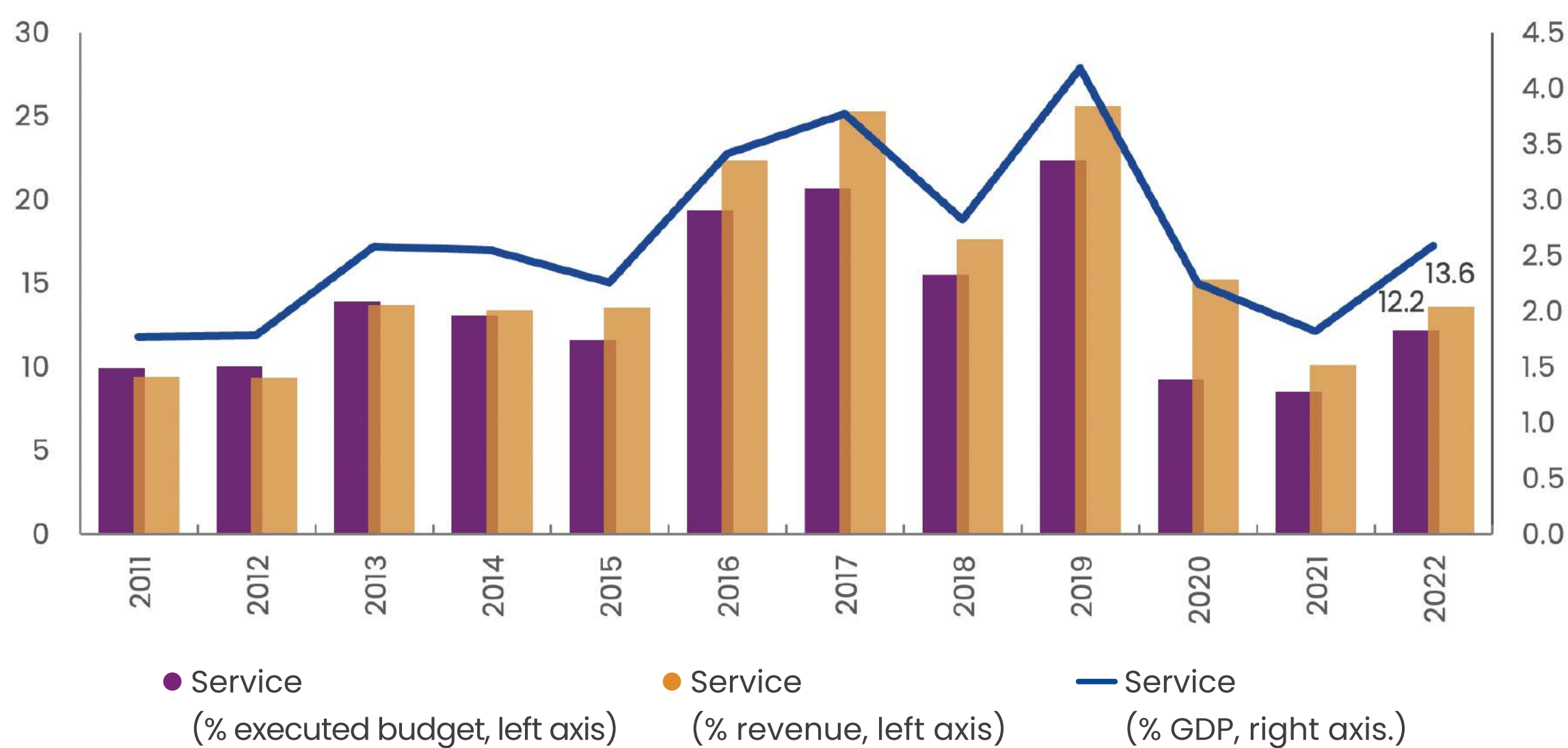


4.2. Evolution and debt service burden in public finances

The cost of issuing debt can be approximated through debt service payments, i.e., interest and amortisation payments on debt incurred. These resources become a burden on public finances and restrict the amount of public resources available for social spending and investment.

In the Peruvian case, total public debt service (external and domestic) peaked in the last decade in 2019, reaching 22.4 per cent of expenditures and 25.6 per cent of central government current revenues, which was 4.2 per cent of GDP. By 2022, these ratios fell to 12.2 per cent of expenditures, 13.6 per cent of current revenues and 2.6 per cent of GDP. The average over the last decade hovered around 17.1 per cent of current revenues and 14.7 per cent of expenditures (Figure 6). If only tax revenues are taken into account, these percentages fell from 29.3 per cent in 2019 to 15.5 per cent in 2022, with an average over the last ten years of 19.5 per cent (Annex 4).

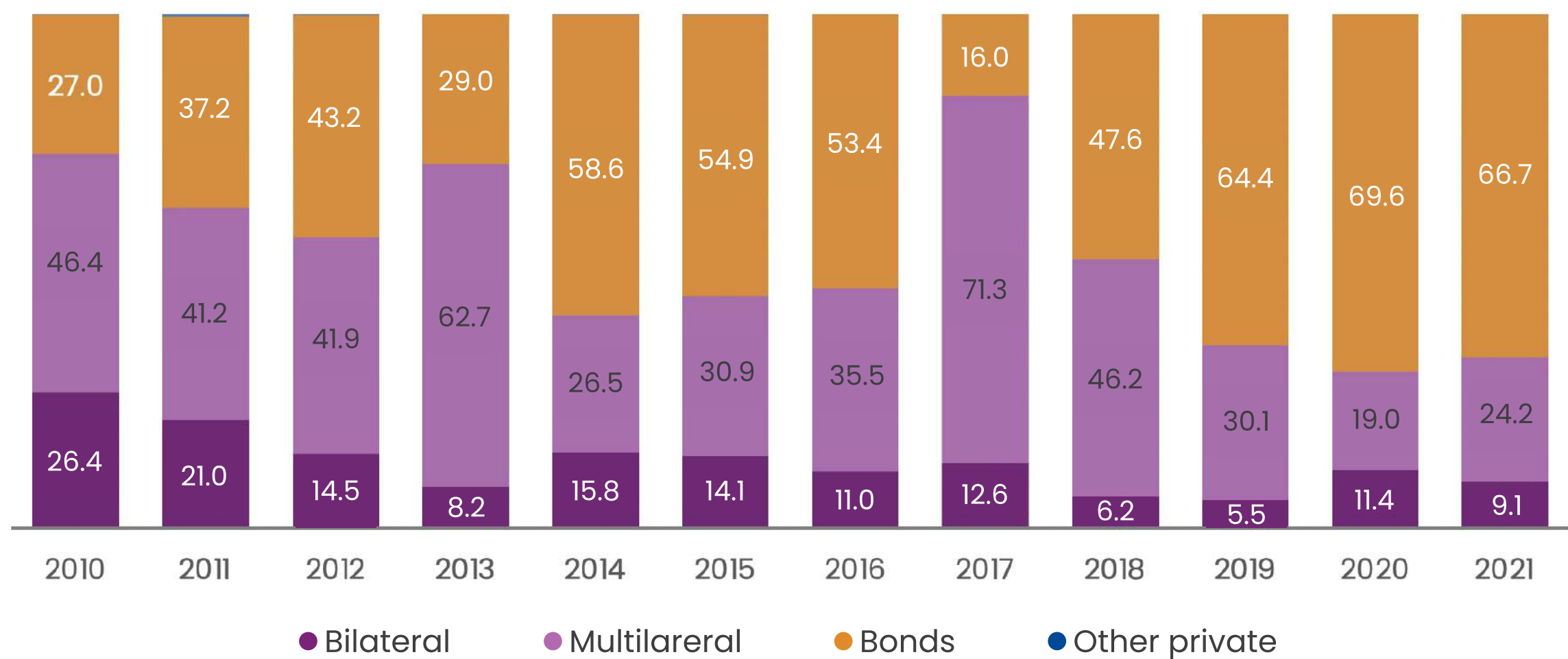
Figure 6. Total public debt service burden on public finances and as percentage of GDP (%)



Source: Prepared by the authors based on information from Ministry of Economy and Finance (MEF) and Central Bank (Banco Central de Reserva del Perú, BCRP)

On the other hand, analysing who is paid the most and considering only external debt payments, it is found that in 2021, 66.7 per cent of external debt service payments went to bondholders, a figure that has increased significantly from 2019 onwards. The outlier in the trend occurred in 2017, when multilateral creditors received 71.3 per cent of the service (Figure 7).

Figure 7. Composition of external debt service by creditor (%)



Source: Prepared by the authors based on World Bank data

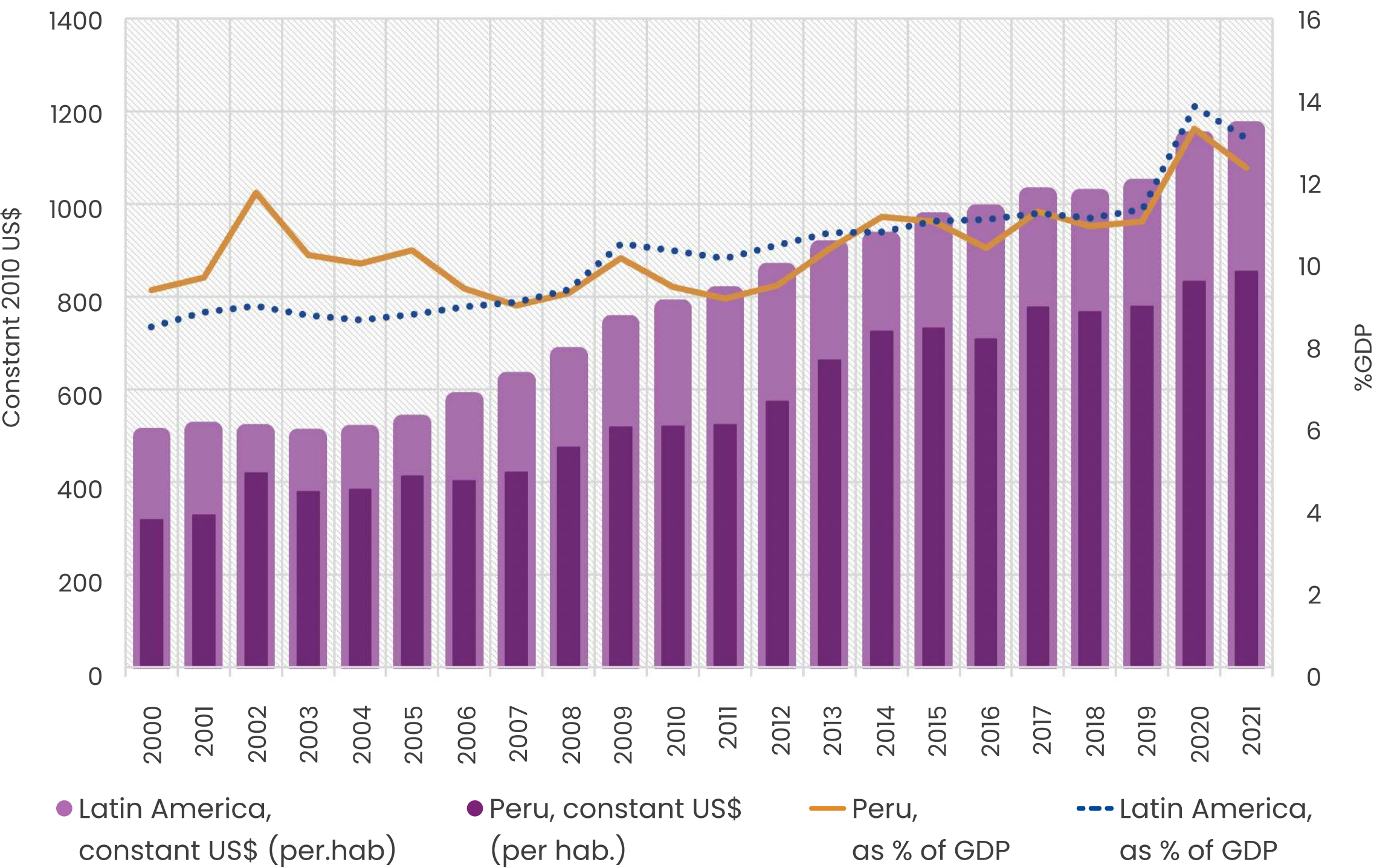
According to the projections of the Peruvian Ministry of Economy and Finance (MEF), payments to private creditors for bonds issued will continue to be more significant than payments to other creditors, except for 2028 (see Annex 4). In 2023 and 2024, debt service payments will total US\$ 3,077 million and US\$ 3,135 million, respectively, with more than half going to repay bondholders (51 per cent and 56 per cent, respectively).

4.3. Social spending and debt servicing

A comparison of debt service to social spending can help determine how important debt repayment is in relation to other national priorities.

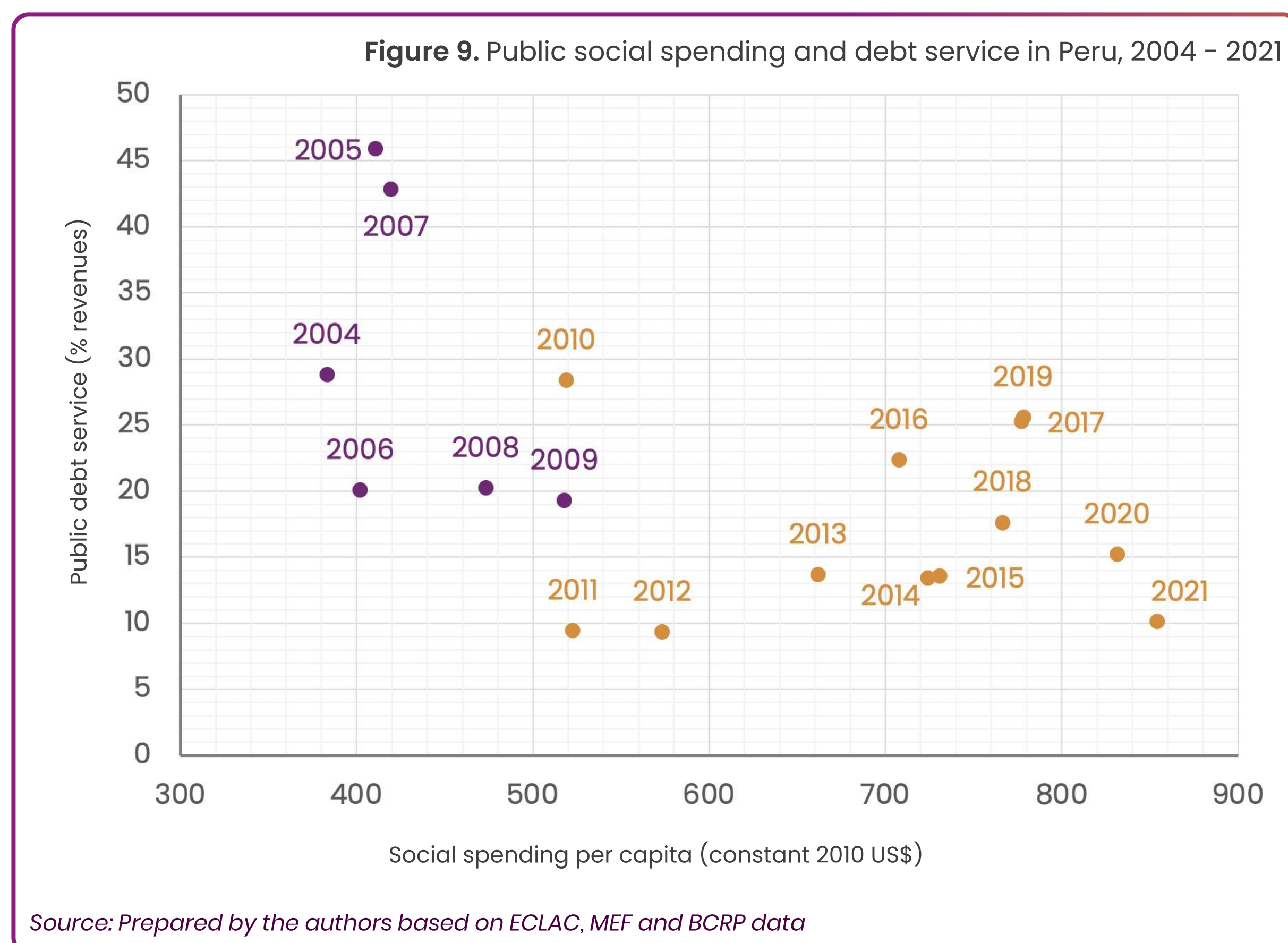
In the first instance, only social spending is analysed. In terms of GDP, social spending indicators in Peru were higher than regional averages, around the turn of the century; however, they are now at or below regional levels, revealing the country has lost ground in this regard. Considering per capita social spending in real terms, Peru has traditionally been below the regional average, but in recent years, this gap has widened. In 2021, public social spending per capita was US\$ 854, compared to US\$ 1,160 across the region (in real terms).

Figure 8. Peru and Latin America comparative public social spending, 2000–2021



Note: Latin American data refer to the Central Government, Peruvian data refer to the General Government.
Source: ECLAC – CEPALSTAT. Based on information from the Ministry of Economy and Finance of Peru.

A comparison of public social spending and government spending on debt repayment shows the lower the debt service burden, the higher the public social spending. In that sense, Peru has managed to increase social spending, though less than other LAC countries, and over time those increases have become smaller. Annex 6 reviews external debt service payments and public spending by function (health, education, social protection, and environment). In the breakdown, it can be seen that the trend remains the same.



It is important to note that social spending trends in the years prior to the pandemic reveals real social spending per capita has clearly stagnated. Between 2007 and 2012, cumulative growth reached 57.7 per cent, while between 2013 and 2019 (pre-pandemic) it was only 7.5 per cent. The same becomes evident when analysing disaggregated spending for health, education, and social protection. This slowdown has a disproportionate impact on women, as will be argued in more detail subsequently.

Given the outlook for debt servicing (Annex 4) and the growing trend towards borrowing from bondholders at higher interest rates, fiscal policy should not only focus on compliance with fiscal rules, but also on expanding fiscal space through more and better tax collection, as will be discussed below.

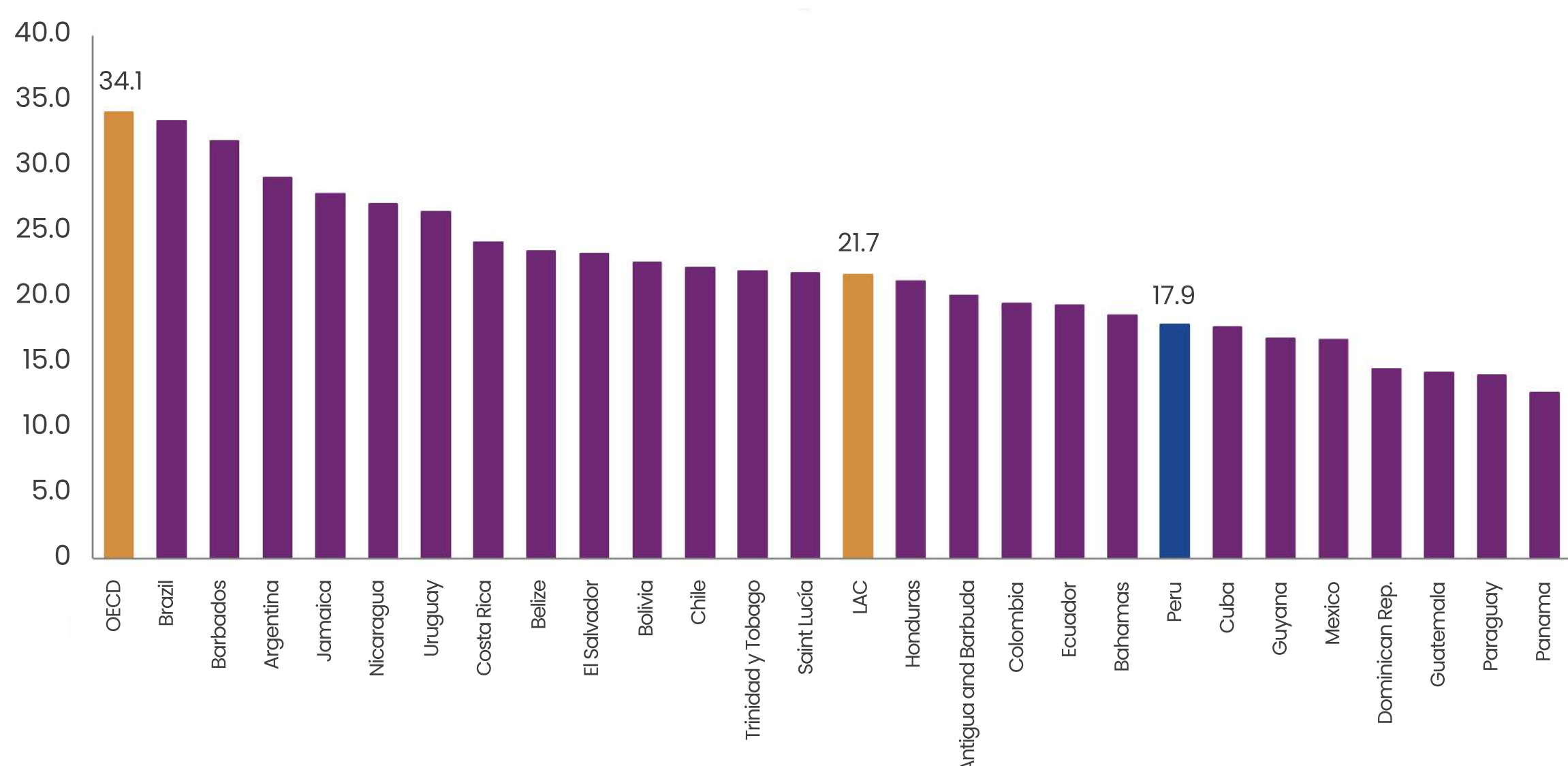
5. STRUCTURE OF THE TAX SYSTEM: WHO PAYS THE DEBT?

The implications of the debt burden are bidirectional. If the State is unable to collect enough revenue to finance expenditures, it must resort to borrowing money to cover the gap, assuming it can be repaid in the future. In the opposing direction, the State must raise revenue to be able to repay the debt in the future. Consequently, the effects can be seen from the perspective of the expenditure or destination of debt and from the perspective of the mechanisms to ensure its payback. In both situations, women are among the population segments most disproportionately affected (as shown in Illustration 1).

This paper focuses on the second approach: tax systems do not collect enough, and what they collect is in an inequitable and regressive way. Both issues are evident in Peru, as they are throughout the region, and their impact is more severe among women, causing them to bear the brunt of decisions and management of public debt.

Regarding the insufficiency of tax revenues, data shows Peru had the second lowest tax collection as a percentage of GDP in South America, and is below the regional average, at 17.3 per cent of GDP in 2021¹¹. The regional average is 21.7 per cent of GDP, while OECD countries collect 34.1 per cent of GDP (Figure 10). This shows the need to improve the capacity of the State to increase tax revenues by at least 3.8 percentage points of GDP to reach the regional average.

Figure 10. Regional comparison of tax revenues as a percentage of GDP (%), 2021



Note: LAC data represents 25 countries in the region excluding Cuba and Venezuela due to data problems

Source: *Revenue Statistics in Latin America and the Caribbean 2023 – Peru* (OECD et al., 2023). [Link](#)

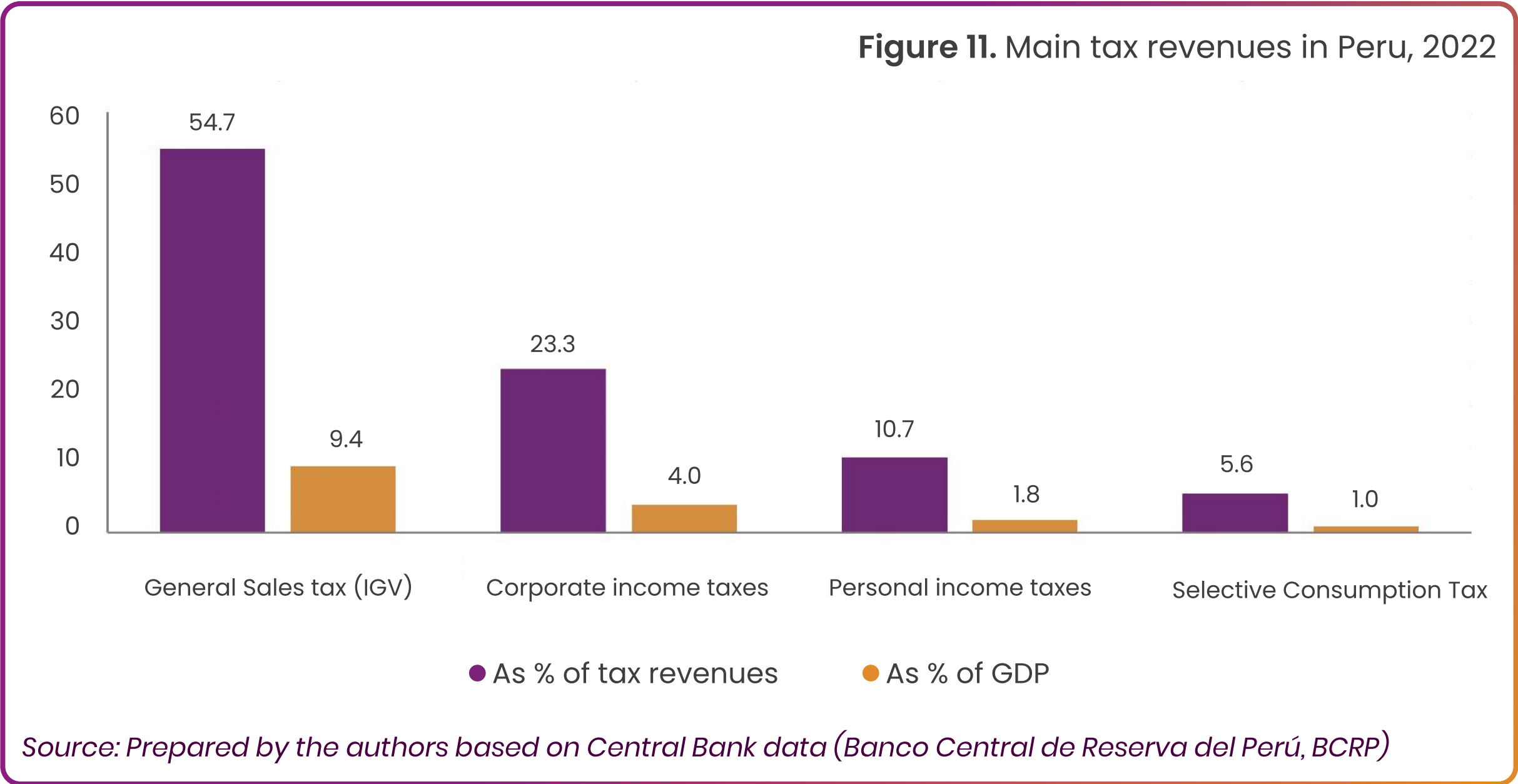
¹¹ This year is taken as the latest available comparable across the region. Data revised in OECD et al. (2023). [Link](#).

Likewise, domestic resource mobilisation capacity is severely constrained by losses from tax evasion, avoidance¹², and illicit financial flows (IFFs)¹³, and tax expenditures¹⁴, which further aggravate fiscal regressivity, leading to poorer social outcomes than those potentially achievable if more and better tax collection were in place. The strategy to fight inequality needs to be critically evaluated in countries such as Peru.

In addition to the low tax burden, Peru also has a regressive tax system, which undermines the distributive capacity that a fiscal policy could have in terms of how revenue is generated, in this case, through taxation. Moreover, in a highly informal economy, a regressive system can worsen economic inequality.

Furthermore, within the design of regressive tax systems, the negative effects on women are particularly evidenced by implicit and explicit biases (Stotsky, 1996 and 2005). In terms of implicit gender biases, there is the high share of indirect taxes that affect lower-income populations to a greater extent, affecting potentially more women than men; as well as systems that grant tax benefits to high-income or large companies, where there is a lower proportion of women (Almeida, 2021; Astudillo et al., 2022).

Taxes in Peru are highly concentrated (Jaramillo, 2013). Among the main tax revenues are the value added tax (called General Sales Tax, IGV), which accounts for 54.6 per cent of taxes collected, taxes on the income of legal entities at 20.8 per cent, and taxes on the income of individuals with 11.2 per cent (Figure 11). For historical information on tax revenues by type of tax, see Annex 5.



¹² To review estimates of tax non-compliance, see Fuertes and Velazco (2017).
¹³ Peru loses US\$ 10 billion each year to illicit financial flows, equivalent to 4.5 per cent of the country's GDP (Bejarano, 2022). [Link](#).
¹⁴ The National Superintendence of Customs and Tax Administration (SUNAT) estimated that total potential tax expenditures for 2022 would represent 2.04 per cent of projected GDP for that year. [Link](#) (Spanish only).

Some studies for the Peruvian case show the progressive effects of direct taxes, including a gender perspective (Segovia, 2020; Lahura & Segovia, 2021). However, there is little quantitative evidence for the country on the effect of indirect taxes, such as value added tax (IGV in Peru) that bear disproportionately on lower-income inhabitants, as is the case of women (Astudillo et al., 2022). As this tax is the main source of fiscal revenue generation in Peru, it limits the possibility of promoting income redistribution within the economy. Thus, when the State pays debt service, to which it destines 15.5 per cent of tax revenues (Annex 4), the burden of this payment falls unequally on the poorest and on women. Fiscal policy is not neutral; it has a differentiated impact on men and women (Almeida, 2021). Therefore, it is critical to incorporate a gender approach in all fiscal and taxation policies to address these structural inequalities.



6. DOES LOWER DEBT MEAN BETTER CONDITIONS FOR WOMEN? POVERTY, EMPLOYMENT AND INEQUALITY IN PERU

This section aims to show the current situation of employment, economic inequality, and poverty from a gender gap approach. The objective is to ascertain the relationship whether the management and burden of the debt could have any relationship with social and gender indicators in Peru, keeping in mind that the tax system serves as a transmission mechanism within a structure that imposes a disproportionate burden on the vulnerable population and women. It also aims to demonstrate the conditions women in Peru confront as well as the debt the State owes them.

The following section presents the evolution of a series of indicators in three areas: poverty, employment and economic inequality. At the same time, it also includes data on the evolution of debt during the period analysed.

6.1. Poverty and overrepresentation of women

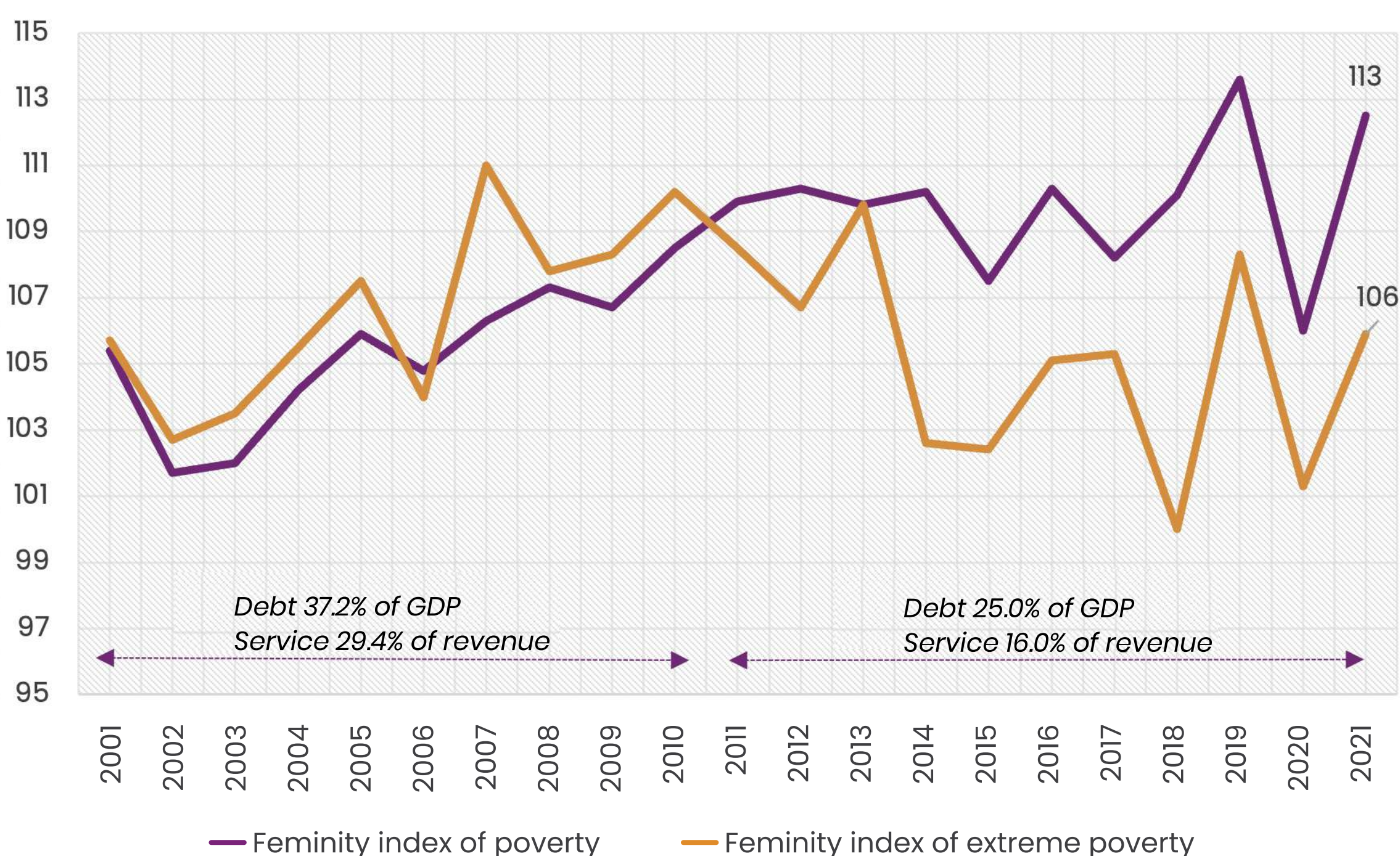
The headcount of the population living in poverty and extreme poverty has declined in recent years; however, the effect of the pandemic has resulted in a significant increase in the percentage of the population living in poverty and extreme poverty in 2020 (28.4 per cent, see Annex 7). In 2021, 19.3 per cent of Peruvians were living in poverty and 4.0 per cent in extreme poverty, levels lower than in 2020, but still higher than those observed in 2019. This situation is similar when the calculation is made for the employed population (Annex 7). A discouraging economic outlook for the coming years, both worldwide and in Peru, could become an obstacle to continue reducing poverty levels.

Poverty does not affect the population equally; some groups are over-represented, including women, who are more frequently in this condition. The femininity index of poverty reveals that in Peru there are 113 women in poverty for every 100 men in the same situation, and 106 women for every 100 men in extreme poverty. With the exception of 2020, femininity of poverty has been on an upward trend since 2001; meanwhile, the figure for femininity of extreme poverty is similar to that of 2001. This indicates that, despite debt management that reduced debt burden on the economy, there has been no progress for women and even reversals over the last 20 years (Figure 12).

It could be argued that Peru's economic growth has reduced the debt/GDP ratio, and that such growth during the commodity boom years has favoured men more.

Moreover, some women may have emerged from extreme poverty¹⁵ but remained below the poverty line, which would explain the increase in this index. This also reflects the vulnerability of this population group and the deficiency of transfers or other government social policies in terms of their reduced impact¹⁶.

Figure 12. Femininity index of poverty in Peru



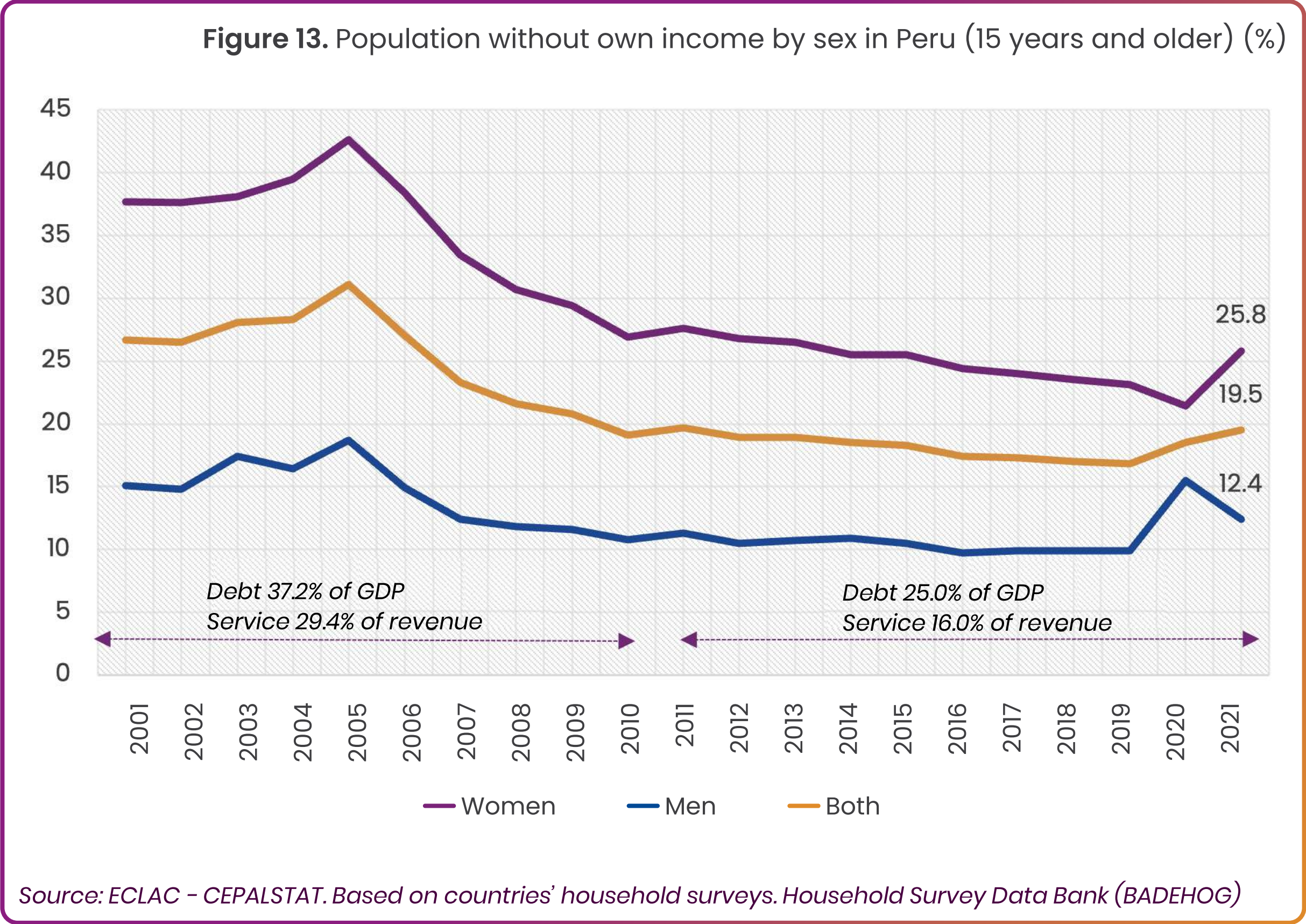
Source: ECLAC – CEPALSTAT. Based on countries' household surveys. Household Survey Data Bank (BADEHOG)

Between 2001 and 2010, debt and debt service levels were much higher than between 2011 and 2021. Despite a lower debt burden over the last decade, women's living conditions have not improved, particularly for those below the poverty line.

Furthermore, the percentage of women aged 15 years and older without own income exceeds men's by more than 13 percentage points. The gap narrowed during 2020, but by 2021 it had widened and exceeded even the gap existed one year before the pandemic (Figure 13). This may be a sign that men were not only able to recover more quickly from the shock, but that while a percentage of men dropped out of the population without own income, more women found themselves in this situation. Currently, one in three women in Peru, compared to one in ten men, has no income of her own.

¹⁵ The National Program of Direct Support to the Poorest – JUNTOS, focusing on pregnant women, children and/or adolescents from the poorest households, may have contributed to their reduction, but it was only oriented at overcoming extreme monetary poverty. [Link](#).

¹⁶ "The undercoverage of social programs in rural and urban areas, as well as the need to improve the household targeting system. On the other hand, social programs tend to operate in a disarticulated manner in the territories" (Correa, 2021).



It is worthy of note that this indicator has been decreasing over time, although the gaps have remained almost unchanged in the last decade. Additionally, this indicator is highly sensitive to shocks. In Peru, a reduction in the percentage of the population without own income may be closely related to the level of informality in the economy, as it serves as a buffer when economic activity is impaired, but places people in precarious employment conditions.

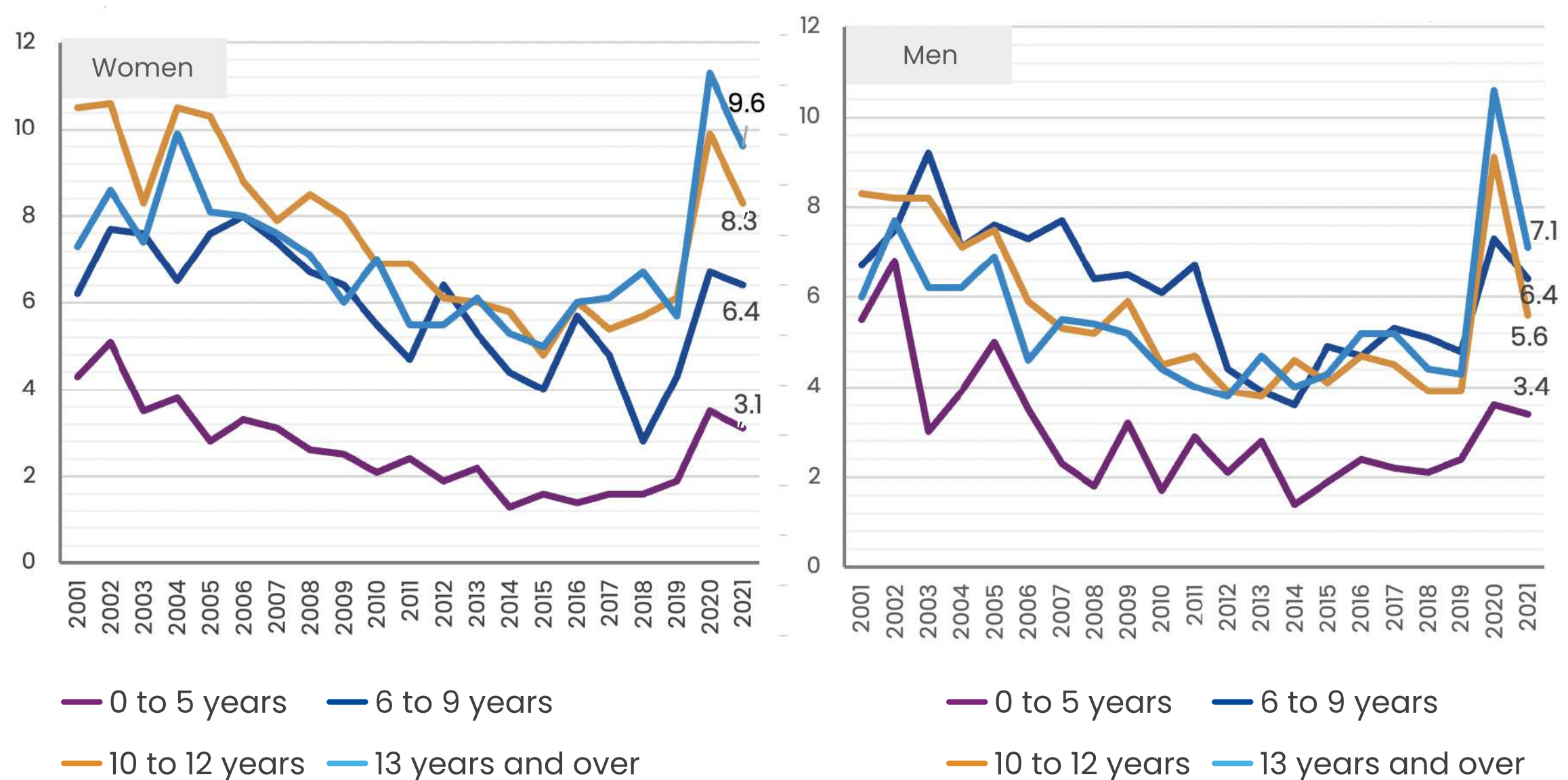
6.2. Employment: gender gaps remain unchanged

In line with the above, the urban open unemployment rate classified by years of schooling, differentiating between men and women, probably reflects one of the main features of the Peruvian labour market: informality. The lowest unemployment rate for both sexes is observed in the group of people with zero to five years of schooling and the highest unemployment rate for the group with 13 years or more of schooling.

Peru was one of the countries that implemented the strictest pandemic lockdowns along with one of the largest GDP losses in the region. As a result, overall unemployment rates rose by more than four percentage points, with larger increases (six percentage points) for those with more than 13 years of schooling. In general terms, there is a two-decade setback for women.

Women have historically experienced greater unemployment rates, particularly those with more years of schooling, where the widest gaps compared to men are observed. When years of education are considered, the gender gaps for groups with as of nine years of schooling are minor or even marginally higher unemployment rates for men. Women with 10 or more years of schooling face unemployment rates more than 2.5 percentage points higher than men with the same schooling years.

Figure 14. Urban open unemployment rate by years of schooling and sex in Peru (%)

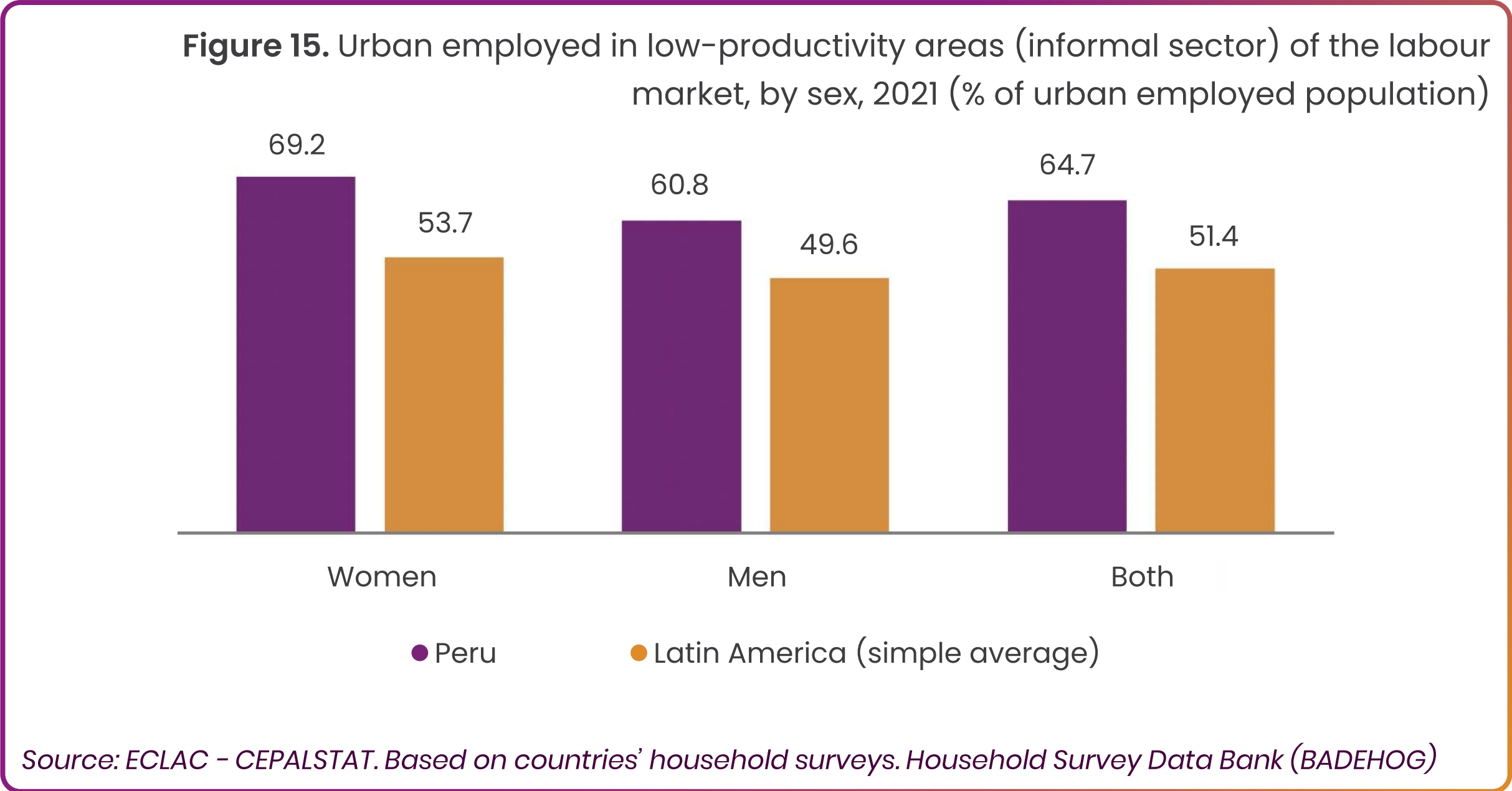


Source: ECLAC - CEPALSTAT. Based on countries' household surveys. Household Survey Data Bank (BADEHOG)

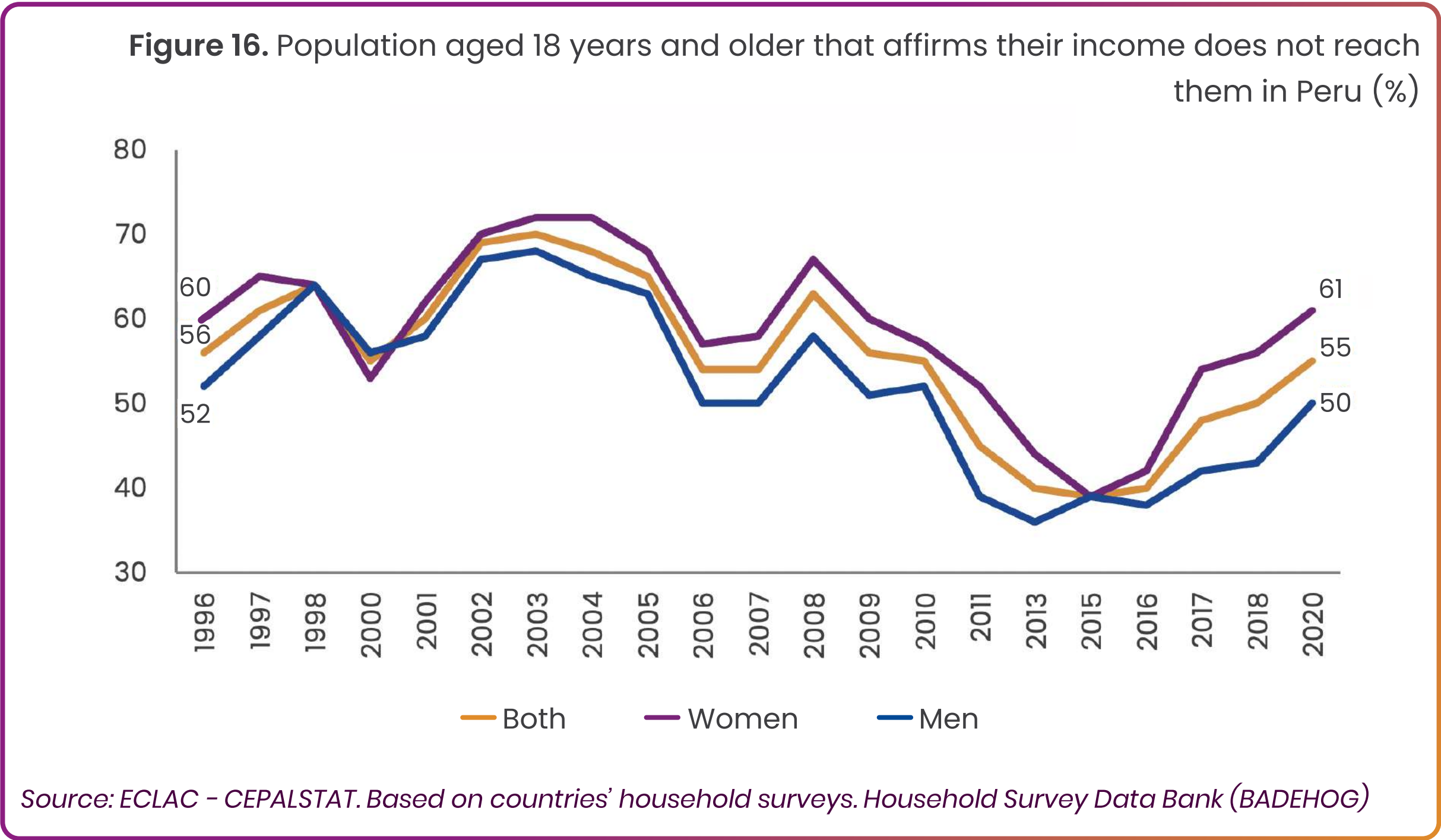
Although unemployment gaps by gender have been reduced in Peru compared to the gaps in the region, in 2021, women's unemployment rate was 1.7 percentage points higher than men's, the second highest in the last 20 years. Furthermore, the level of unemployment in Peru is the highest since 2004, both overall (6.8 per cent) and differentiated for men (6.0 per cent) and women (7.7 per cent).



Moreover, in Peru, more women work in low-productivity sectors in greater extent than men. In general, the population employed in the informal sector has been increasing since 2014 with percentages always above the regional average (Figure 15).



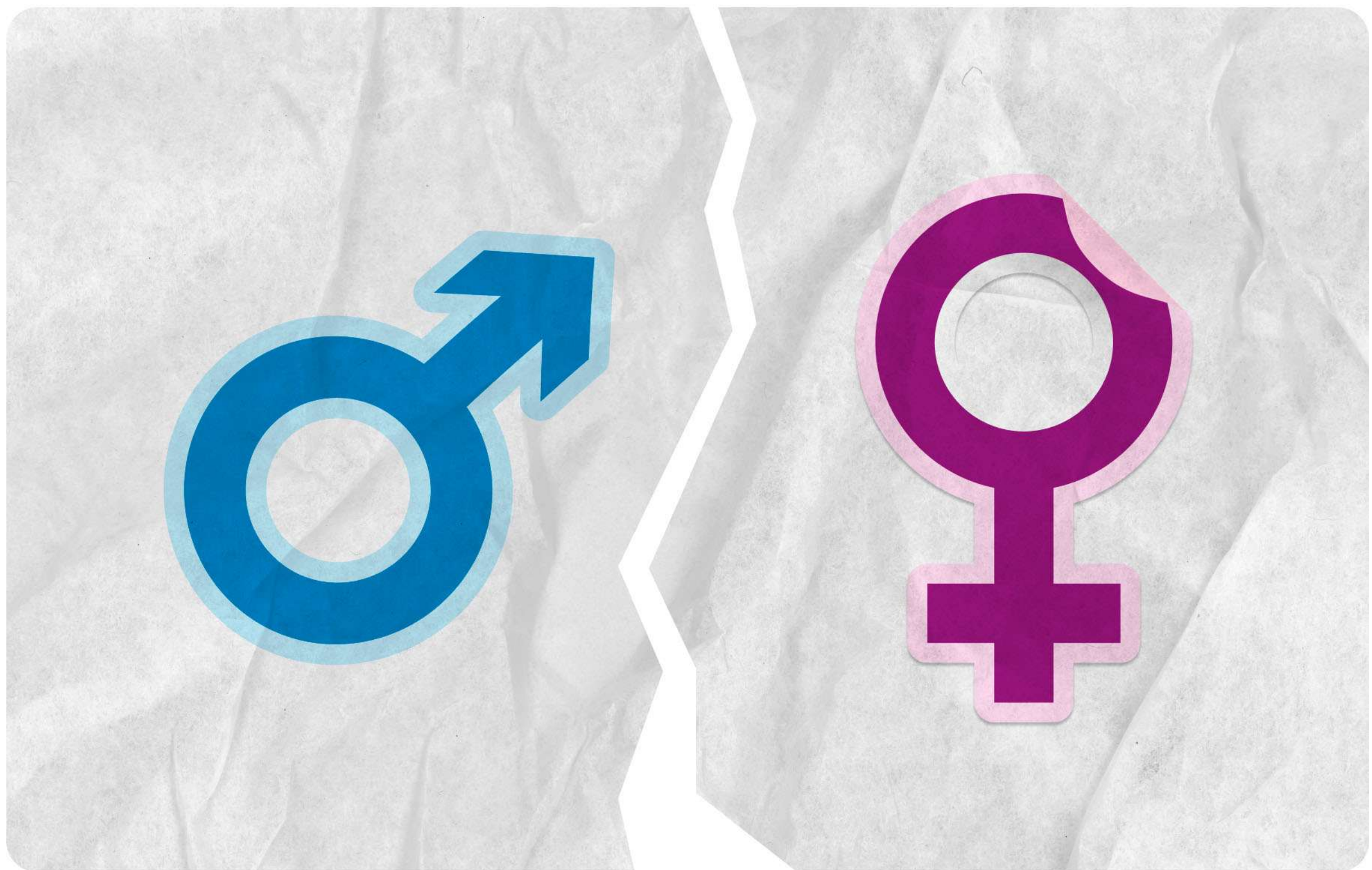
This can lead to the people's perception that their monetary income is insufficient. In this sense, from 2004 to 2015, the percentage of the people that had the perception that their income was not sufficient (not enough) was reduced. Even in 2015 the gender gaps had narrowed. From 2016 onwards, a growing trend is observed for both men and women, with widening gaps and a more accelerated deterioration among the latter.



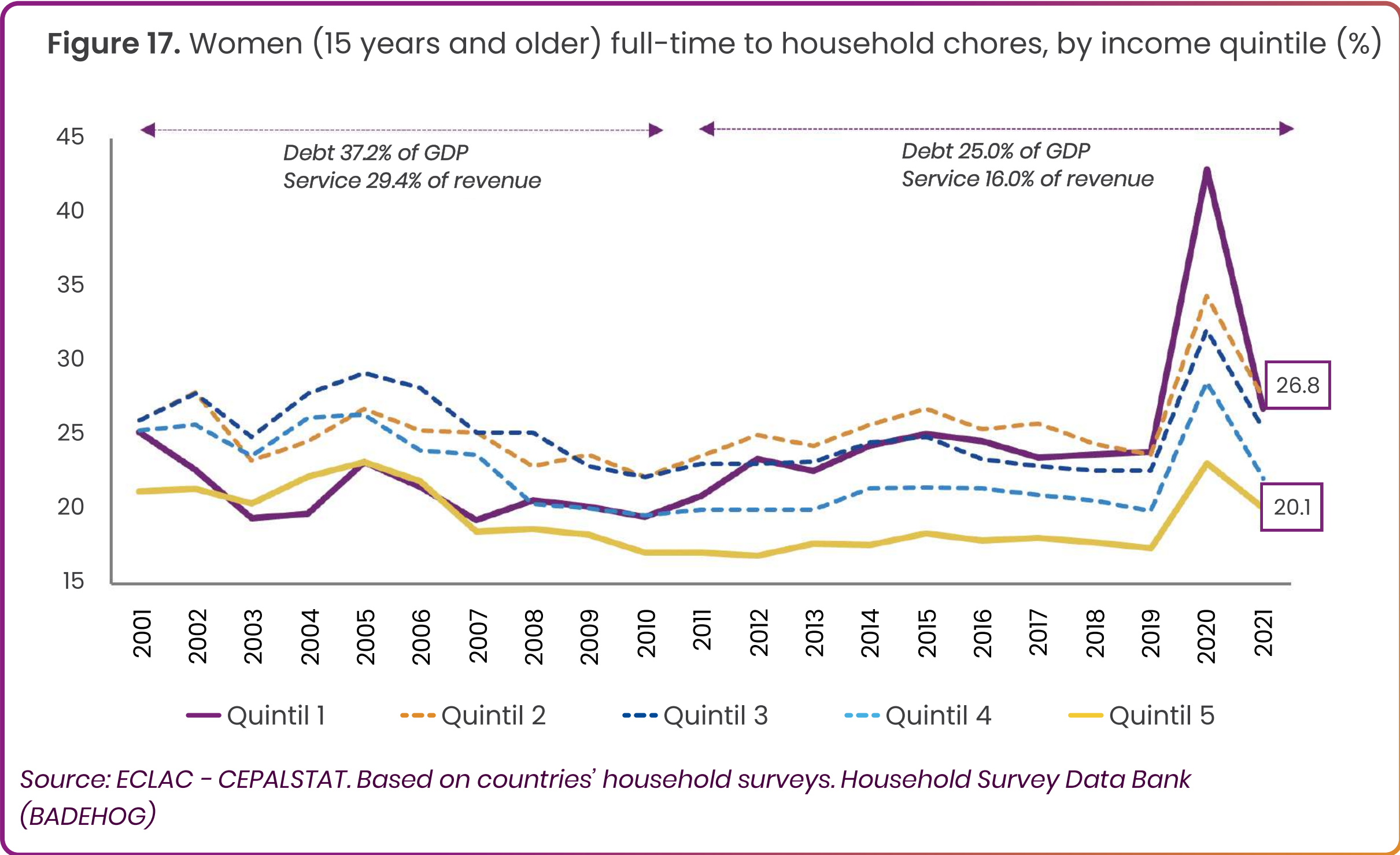
In 2020, 61 per cent of women and 50 per cent of men perceive that their income is insufficient, with an average of 55 per cent; i.e., more than half of Peruvians perceive that their income does not reach them. These levels are similar to those in 1996, which, although not the highest in the series under examination, they point to a widening gender gap. The 2020 data may be affected by the pandemic, but the previous data (2018) reveal a magnitude of gender gap not previously observed in Peru, it is the largest gap in the entire series.

The above situation, "one out of every two Peruvians considers that their income is not enough", could lead people to consider migrating abroad (Annex 9). However, men tend to be in this situation to a greater extent than women.

Noticeable disparities may be noticed in household composition by sex of household head (Annex 8). In the case of female heads, the majority of households are single-parent households (single mothers), while households composed of couples without child(ren) are the least frequent. In the case of male heads, the highest percentage corresponds to two-parent households with child(ren), representing more than 50 per cent, while single-parent households are the least common.



In that regard, unpaid work falls more heavily on women, a situation that requires further consideration in the formulation of public policies in Peru and in the region. Unpaid work for women has become another obstacle to their participation in the economy. In 2021, 24.2 per cent of women spend their time exclusively on household chores, which is observed to a greater extent in households in the lowest income quintiles. Furthermore, this situation dramatically worsened in a crisis year like 2020. These gaps have been widening over time (Figure 17), for example, comparing data as of 2010 and from 2011 onwards, for instance. In other words, being a woman and poor exacerbates existing inequities twofold, in an already highly unequal country, as will be shown in the following subsection.



Among some of the possible reasons behind the behaviour observed in Figure 17, household chores for women in lower income quintiles may have increased due to a rise in men's income, assuming 'pro-men' economic growth during the commodity boom, as mentioned in section 6.1. However, it may also be related to a lower provision of basic services per capita. According to the World Bank (2023), access to a package of basic services¹⁷ is not equally distributed and is still backward in the country. On the other hand, using data from ECLAC (2022)¹⁸, and comparing the trend between 2007–12 and 2013–19 (pre-pandemic years), it is observed that between 2007 and 2012, real per capita spending on health, education and social protection increased significantly, but subsequently stagnated and the pace of increase stopped between 2013 and 2019, even growing by only 0.4 per cent in social protection spending. This has a greater impact on women and an increase in household chores.

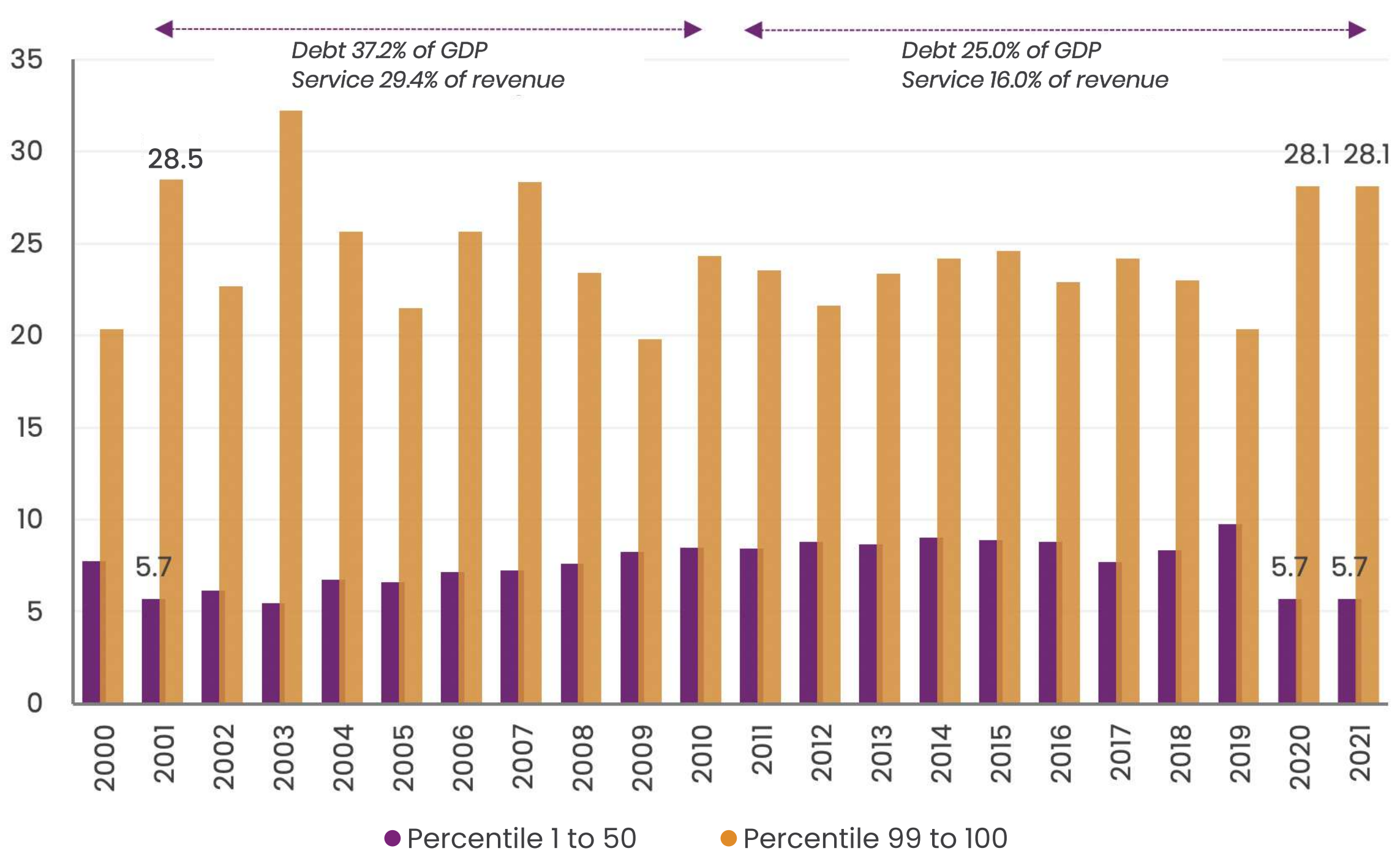
¹⁷ The World Bank (2023) study notes that despite progress, only two households in five have access to a package of four main basic services: drinking water, sanitation, electricity and internet.

¹⁸ Using social spending per capita by function, expressed in real terms (constant 2010 U.S. dollars).

6.3. Economic inequality and persistent gender gaps

Economic inequality is another crucial issue in Peru. Over the last 20 years in Peru, no substantial advancements or improvements have been observed, despite a decline in the share of the highest income quintile in the distribution of individual labour income (Annex 10). Although Peru's Gini concentration index shows a reduction of inequality, the participation in the national income distribution in 2021 is the same as it was in 2001, possibly as a result of the pandemic. This finding highlights the existence of vulnerabilities in social progress in the face of an unanticipated event in the nation's economy (Figure 18).

Figure 18. Share of the top 1% and bottom 50% in the distribution of national income in Peru

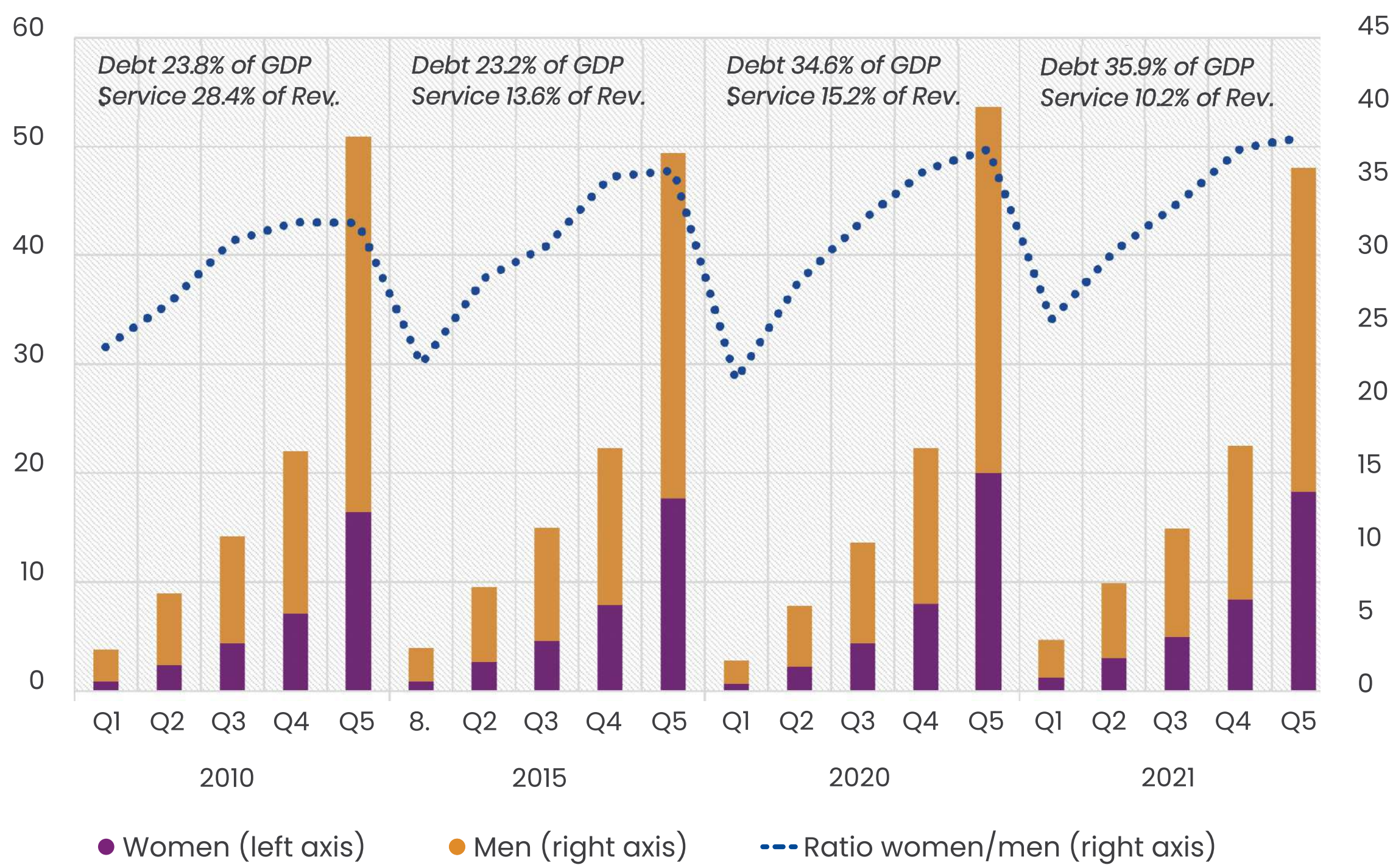


Source: ECLAC – CEPALSTAT. Based on World Inequality Laboratory, Paris School of Economics

Similarly, women's participation measured by individual labour income is lower than that of their male peers with ratios between 21–25 per cent in the lowest income quintile to 32–38 per cent in the highest quintile, reflecting inequality within and between quintiles (Figure 19).

Women in a higher income quintile are more likely to have a higher individual labour income compared to men in the same quintile. However, even in the highest quintile, a woman's labour income according to the distribution would account for approximately one-third of a man's (dotted line, Figure 19). Moreover, these ratios have not changed significantly over time; in fact, some gaps have increased relative to the past decade.

Figure 19. Distribution of individual labour income by income quintile and sex in Peru (%)



Source: ECLAC - CEPALSTAT. Based on countries' household surveys. Household Survey Data Bank (BADEHOG)

7. CONCLUSIONS AND CIVIL SOCIETY RECOMMENDATIONS

Debt understood as a system has effects on the population through a variety of channels. These permeate from the use or destination of debt, with purposes that have not benefited the most vulnerable groups; from private debt, which significantly reduces the resources available to poor households; from the debt burden on the public budget, which acts as a constraint; from the financing of repayment through regressive tax systems; as well as from the social debt that the State owes to its population. All of these factors shed light on the way debt owed to women is closely related to the structure of the economic system.

However, information gaps and lack of transparency prevent more precisely quantification of the above-mentioned effects, which should be incorporated in macroeconomic policy decisions. The main proposals and demands include i) the regular publication of information on the use and destination of all resources acquired through debt, with follow-up budget and expenditure execution identifiers; ii) access to administrative records of tax collection disaggregated by sex and type of tax, as well as socialisation of tax expenditures, their fiscal cost, and the adoption of impact measurements; iii) official estimates of unpaid work and the weight of care work in the national economy (including more regular time-use surveys); iv) information on private (household) indebtedness by sex and type of household, which would make possible to measure the risk of falling back into poverty in the event of a health shock, death or other unexpected events. Finally, other information that could be prepared both by government agencies and other independent institutions relates to evaluations of the impact of debt and/or tax design on women or on other issues of the 2030 Agenda and the national development plan.

Regardless of the level of debt and its burden on public finances, the data for the Peruvian case reveal that the reduction of the debt relative to GDP has not reflected in better conditions for women, who continue to live in more precarious conditions than their male counterparts and face more obstacles in recovering from crises. Structural inequalities persist.



Fiscal rules and stagnant social spending prior to the pandemic affect the expansion of public services and end up shifting costs to women's unpaid and care work; however, the relatively low levels of public debt and debt service in Peru could have translated into a greater effort from the State than the observed in order to improve the economic conditions for the poorest, women and other vulnerable populations. Considering that the reduction of the debt service burden on the budget, the use and destination of public resources could have driven more significant progress regarding poverty, inequality, and SDGs fronts in recent years.

Likewise, there is evidence of the fragility of the social advances achieved in the last few years before the pandemic, and which were rapidly reversed in 2020. Although the indicators studied here point to some recovery in 2021, the gender gaps have returned to previous levels or have widened, even reversing decades. Among the possible hypotheses behind the deterioration of these indicators for women and their relationship with debt, it may be argued that the economic growth experienced during the years of the commodity boom has reduced the debt/GDP ratio, but has not favoured women (i.e., it has been 'pro-men' economic growth) nor has it favoured the reduction of inequalities. Thus, growth and debt have a macroeconomic impact, but with a reduced multiplier effect at the micro level. This issue could be further explored in future research.

People's present and future well-being is affected by sovereign debt, and as has been widely documented, the impacts are typically negative. Debt management strategies biased towards financial sustainability could only exacerbate inequalities and vulnerabilities. In a context marked by a tax system that generates insufficient and regressive revenues, as in Peru, poorest groups and those who benefit the least from debt resources end up repaying the debt. As a result, this generates a social debt owed by the State to women.

It will be necessary to introduce a cross-cutting gender and rights approach in fiscal policy- making in all its elements, as well as to incorporate this perspective into the debt sustainability approach used in Peru. Beyond compliance with fiscal rules and austerity policies, it is necessary to consider the effects on women and other vulnerable groups in a country that is already highly unequal. It will also be necessary to consider how to expand the fiscal space through a reform of the tax system guided by principles of fairness and equality, and access to concessional sources of financing.

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9. ANNEXES

Annex 1. EXTERNAL DEBT STOCK AND SERVICE BY REGION – EMERGING MARKET AND DEVELOPING ECONOMIES

General government gross debt for selected regions, 2019 – 2025 (as % of GDP)

Country Group Name	2019	2020	2021	2022	2023	2024	2025
Emerging market and developing economies	55.13	64.77	64.26	64.58	67.54	68.80	72.15
Latin America and the Caribbean	67.95	76.85	71.56	69.40	68.21	68.94	69.69
Emerging and developing Asia	58.89	68.82	70.31	73.74	77.63	81.02	84.37
Middle East and Central Asia	46.16	56.96	52.69	44.68	44.11	42.76	42.92
Sub-Saharan Africa	49.78	57.04	56.56	56.30	55.52	53.93	53.14

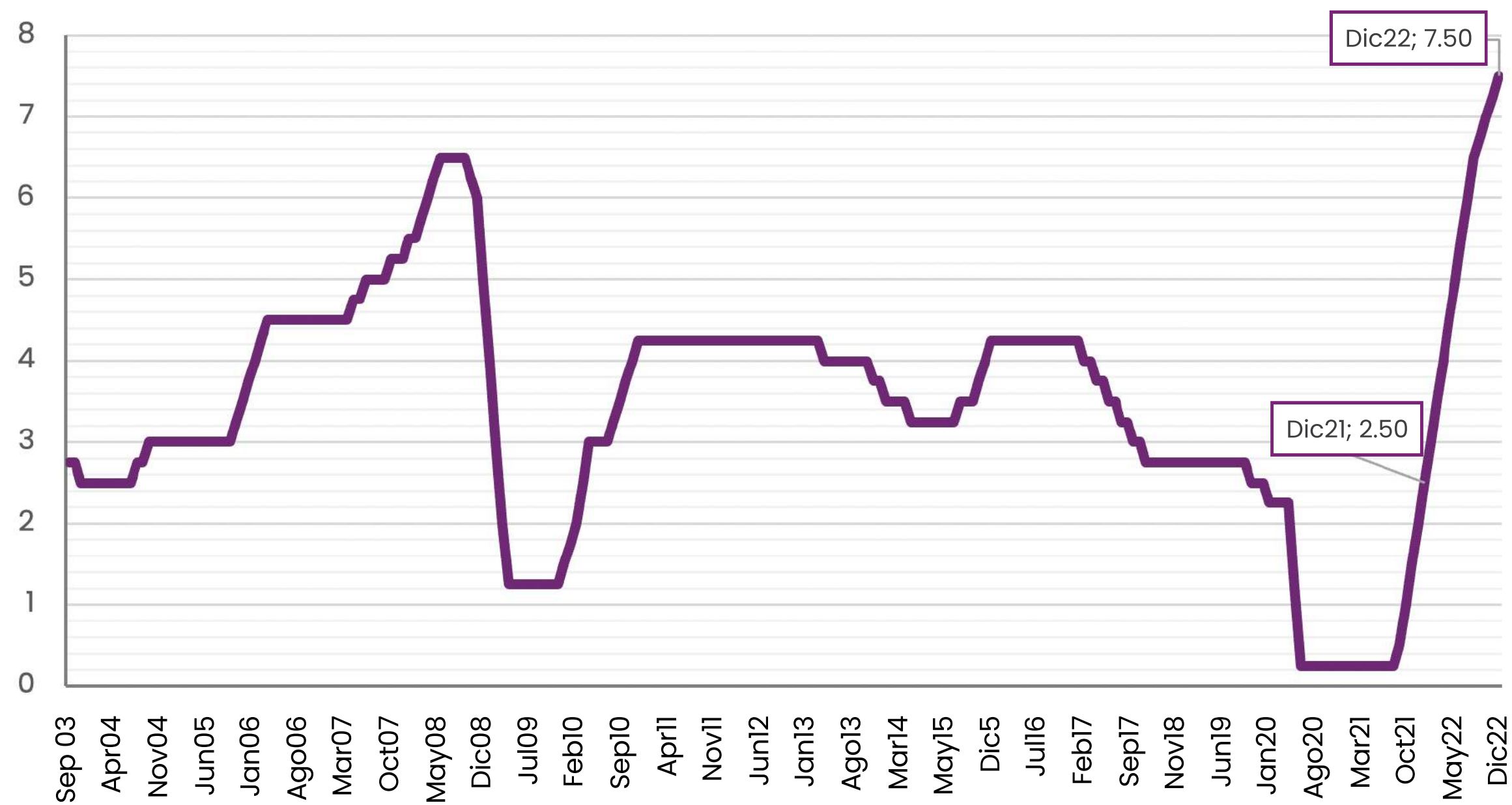
External debt service indicators by selected region, 2019 – 2024

Country Group Name	2019	2020	2021	2022	2023	2024
Percentage of GDP						
Emerging market and developing economies	11.22	11.31	10.57	10.58	10.00	9.61
Latin America and the Caribbean	13.05	15.09	12.49	11.27	10.51	9.99
Emerging and developing Asia	10.36	9.66	9.43	10.30	9.25	9.18
Middle East and Central Asia	10.58	12.18	9.51	9.18	8.96	7.57
Sub-Saharan Africa	6.64	6.38	6.55	5.70	7.17	5.70
Percentage of exports of goods and services						
Emerging market and developing economies	42.08	46.86	37.67	35.06	36.60	36.10
Latin America and the Caribbean	51.74	60.58	43.60	37.29	37.70	36.02
Emerging and developing Asia	47.47	48.21	41.48	41.46	41.12	41.81
Middle East and Central Asia	21.73	29.98	21.22	18.81	20.91	18.74
Sub-Saharan Africa	28.10	33.31	26.62	21.47	28.71	23.67

Source: IMF, World Economic Outlook Database, April 2023

Annex 2. PERU MONETARY POLICY RATE

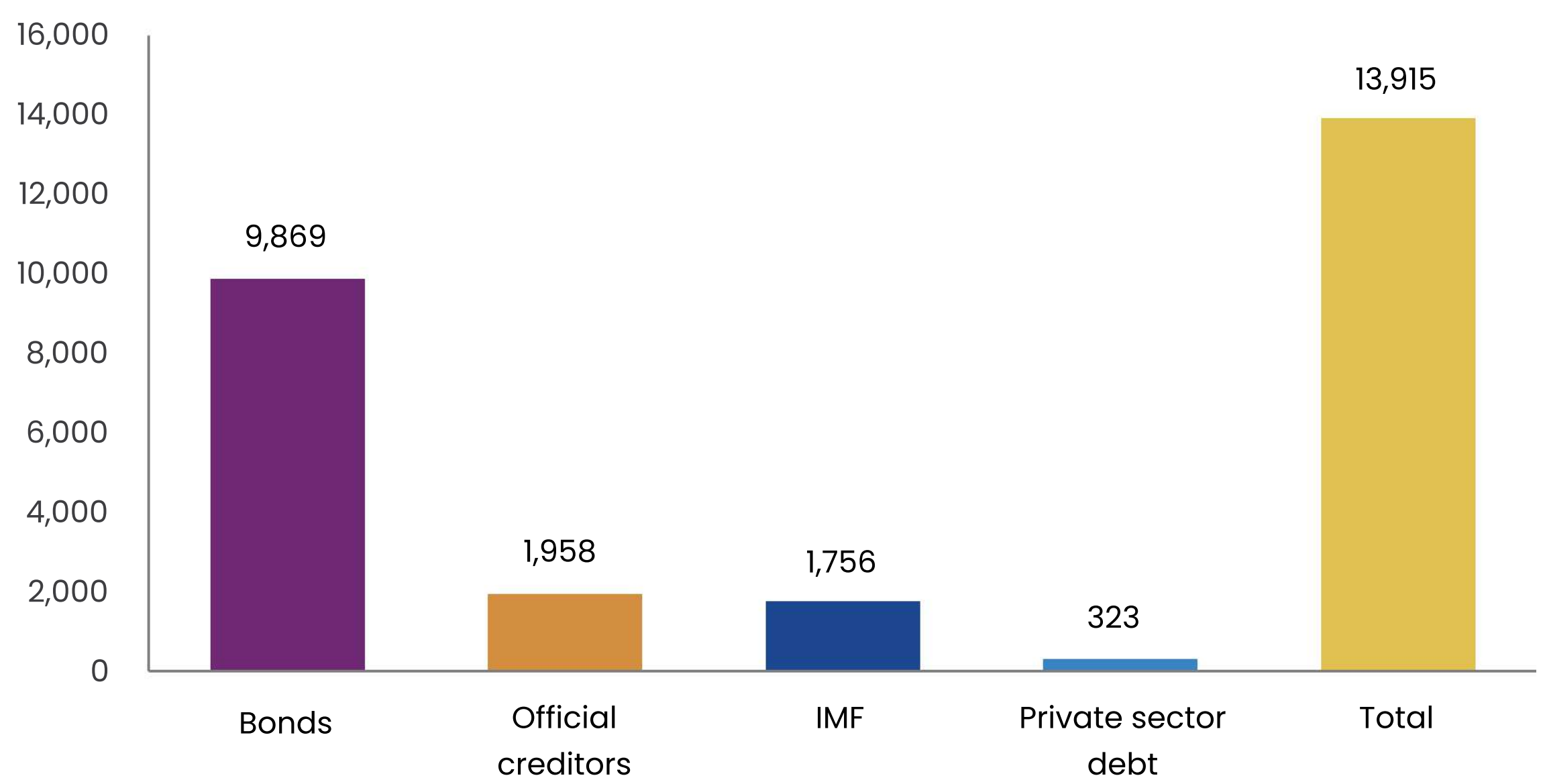
Monetary Policy Reference Rate, Central Reserve Bank of Peru, September 2003 – December 2022 (%)



Source: Prepared by the authors based on Central Bank data (Banco Central de Reserva del Perú, BCRP)

Annex 3. NEW EXTERNAL DEBT

Peru 2021 (US\$ million)



Source: Prepared by the authors based on World Bank data

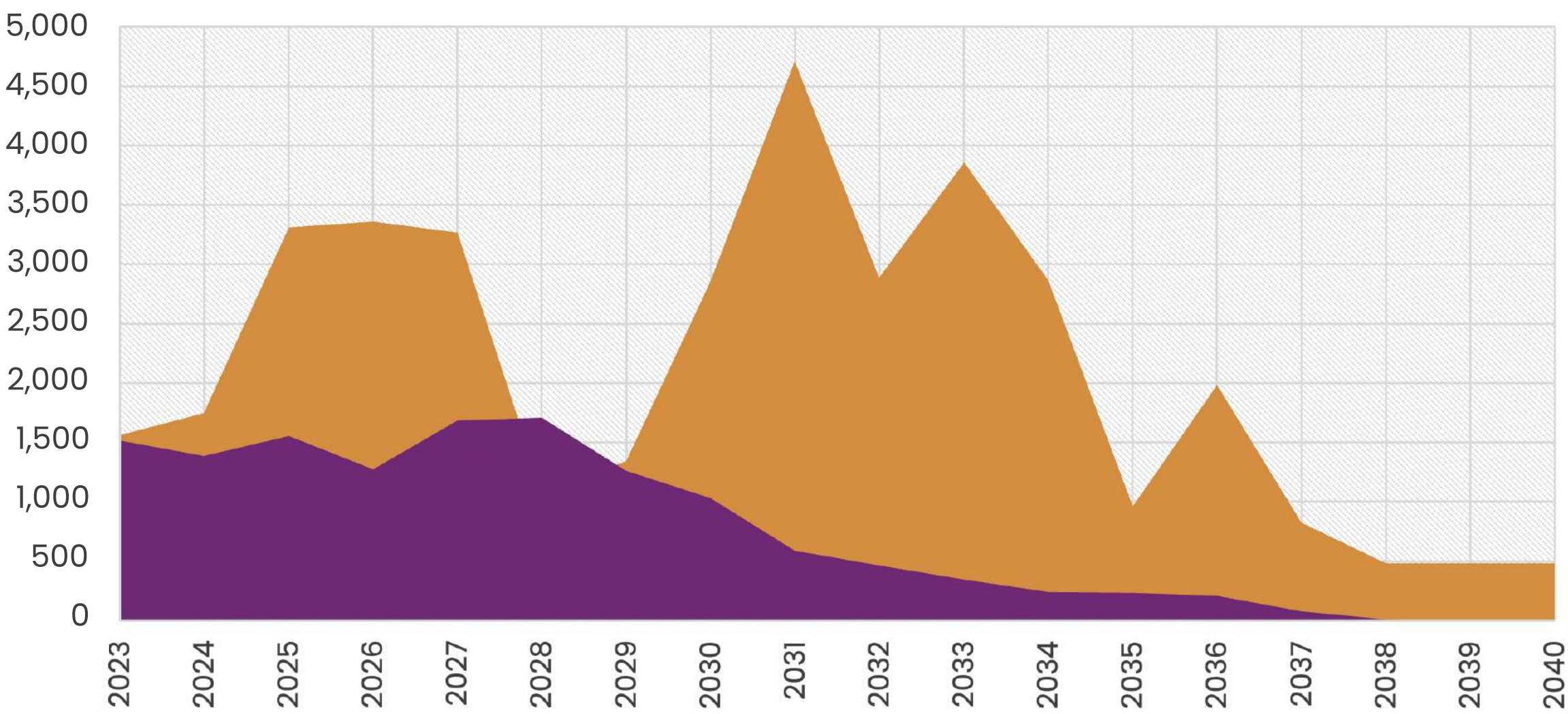
Annex 4. KEY INDICATORS AND PUBLIC DEBT SERVICE PROJECTION

Peru: Total public debt service indicators

Indicator	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
As % of current revenues (central government)	9.4	9.4	13.7	13.4	13.6	22.4	25.3	17.6	25.6	15.2	10.2	13.6
As % of tax revenues	11.0	11.0	15.8	15.4	15.3	25.3	29.3	20.1	29.3	17.4	11.4	15.5
As % of expenditures (central government)	10.0	10.0	13.9	13.1	11.6	19.4	20.7	15.5	22.4	9.3	8.5	12.2
As % of GDP	1.8	1.8	2.6	2.6	2.3	3.4	3.8	2.8	4.2	2.3	1.8	2.6

Source: Prepared by the authors based on information from Ministry of Economy and Finance (MEF) and Central Bank (Banco Central de Reserva del Perú, BCRP)

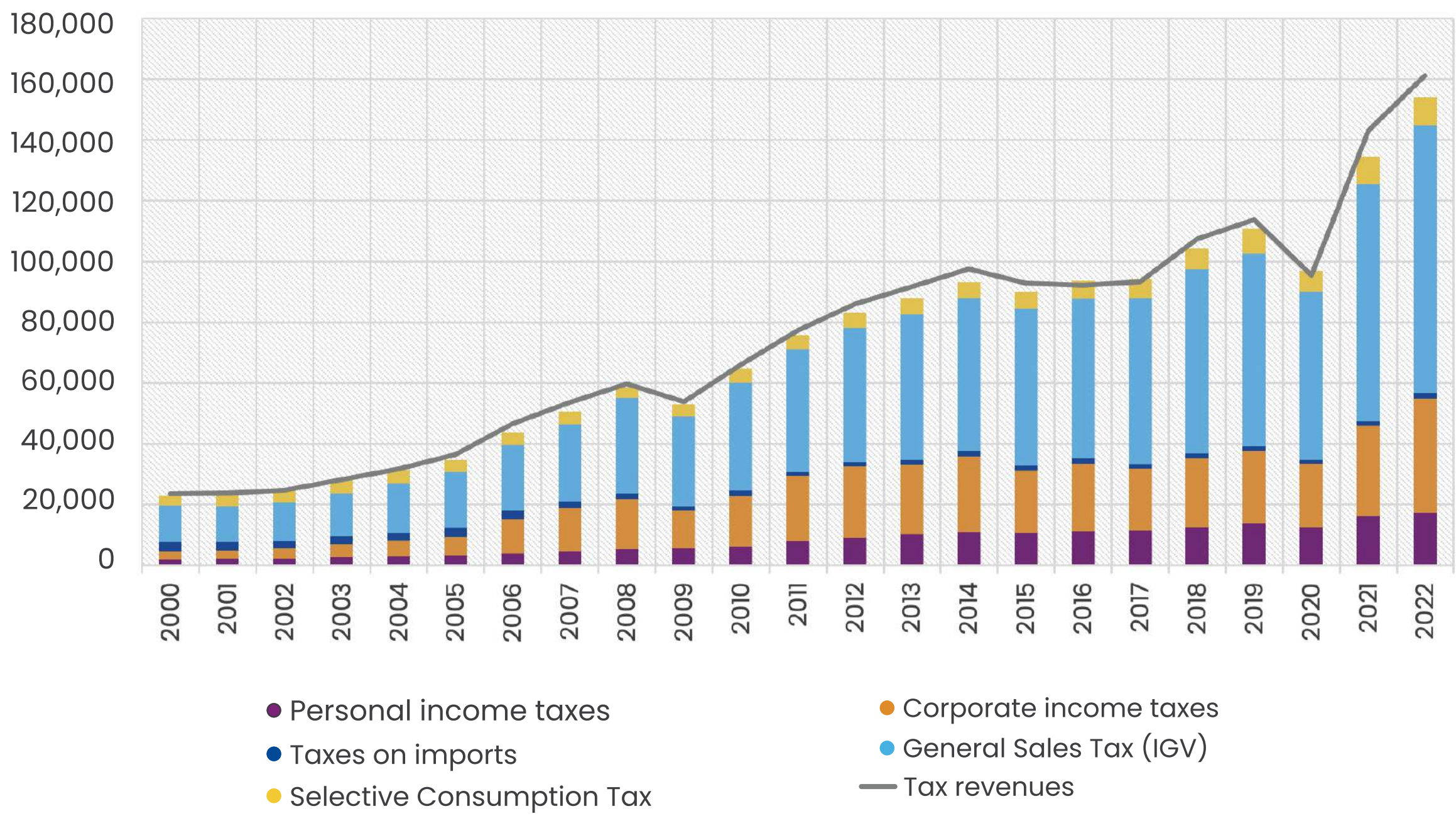
Peru: Public external debt service projected (US\$ millions)



Source: Prepared by the authors based on Ministry of Economy and Finance (MEF) data

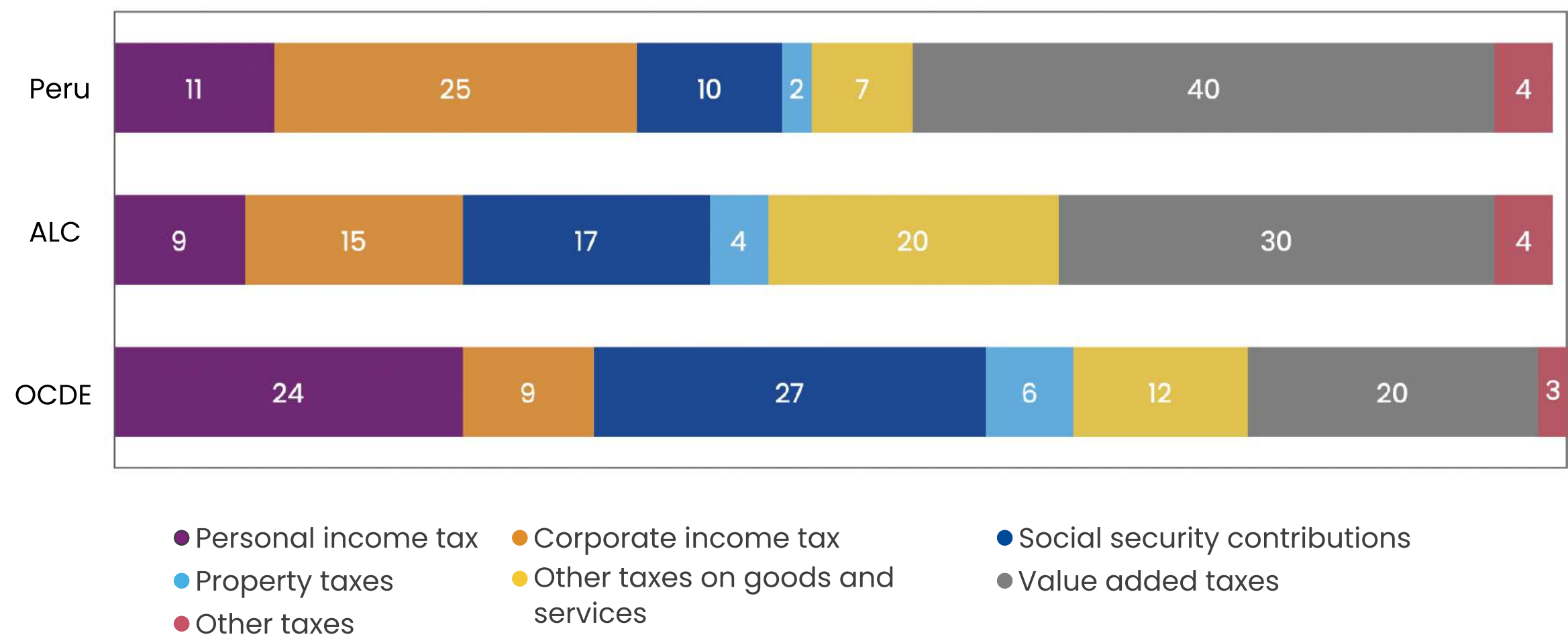
Annex 5. TAX STRUCTURE

Peru: General government tax revenues (in millions of soles), 2000–2022



Source: Prepared by the authors based on Central Bank data (Banco Central de Reserva del Perú, BCRP)

Comparative tax structure (%), 2021

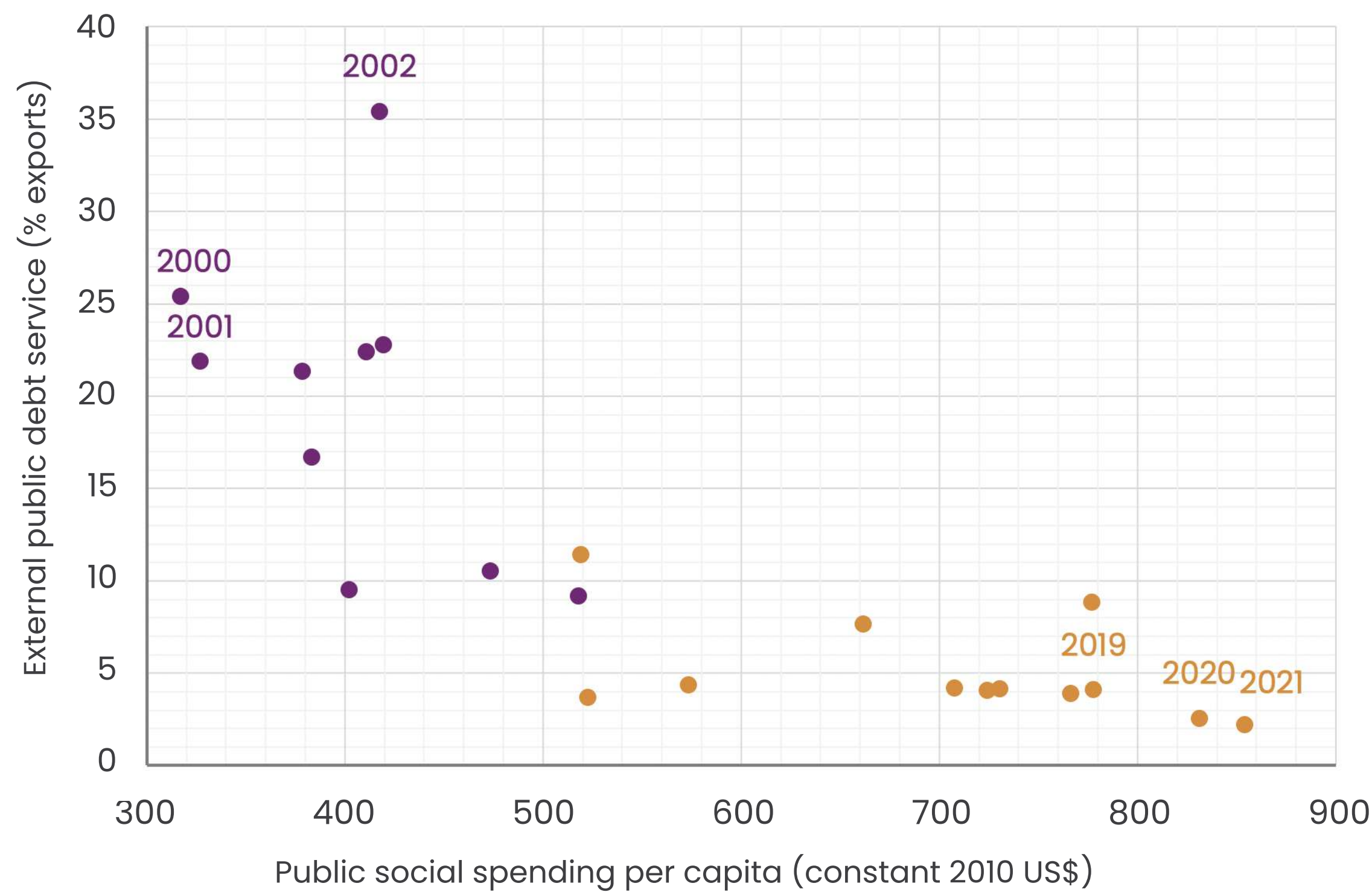


Note: Represents the unweighted average of 25 LAC countries. Excludes Cuba and Venezuela due to data problems. Ecuador excluded from the average for CIT and PIT, as insufficient breakdown is available. For the OECD average, 2020 data are used, as 2021 data are not available

Source: Revenue Statistics in Latin America and the Caribbean 2023 - Peru (OECD et al., 2023). [Link](#)

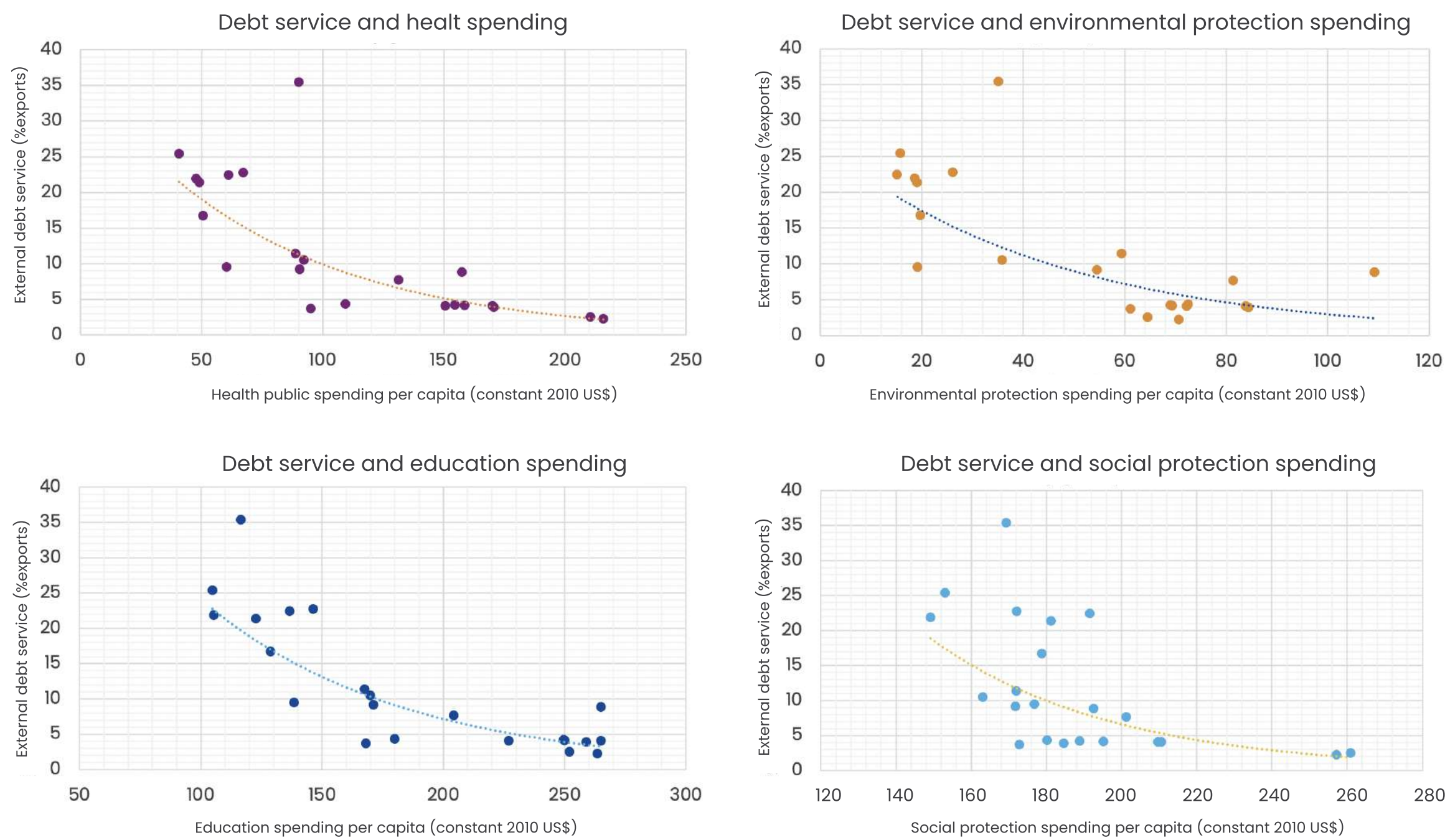
Annex 6. EXTERNAL DEBT SERVICE COMPARED TO PUBLIC SOCIAL SPENDING

Public social spending and external public debt service, 2000 – 2021



Source: Prepared by the authors based on ECLAC and World Bank data

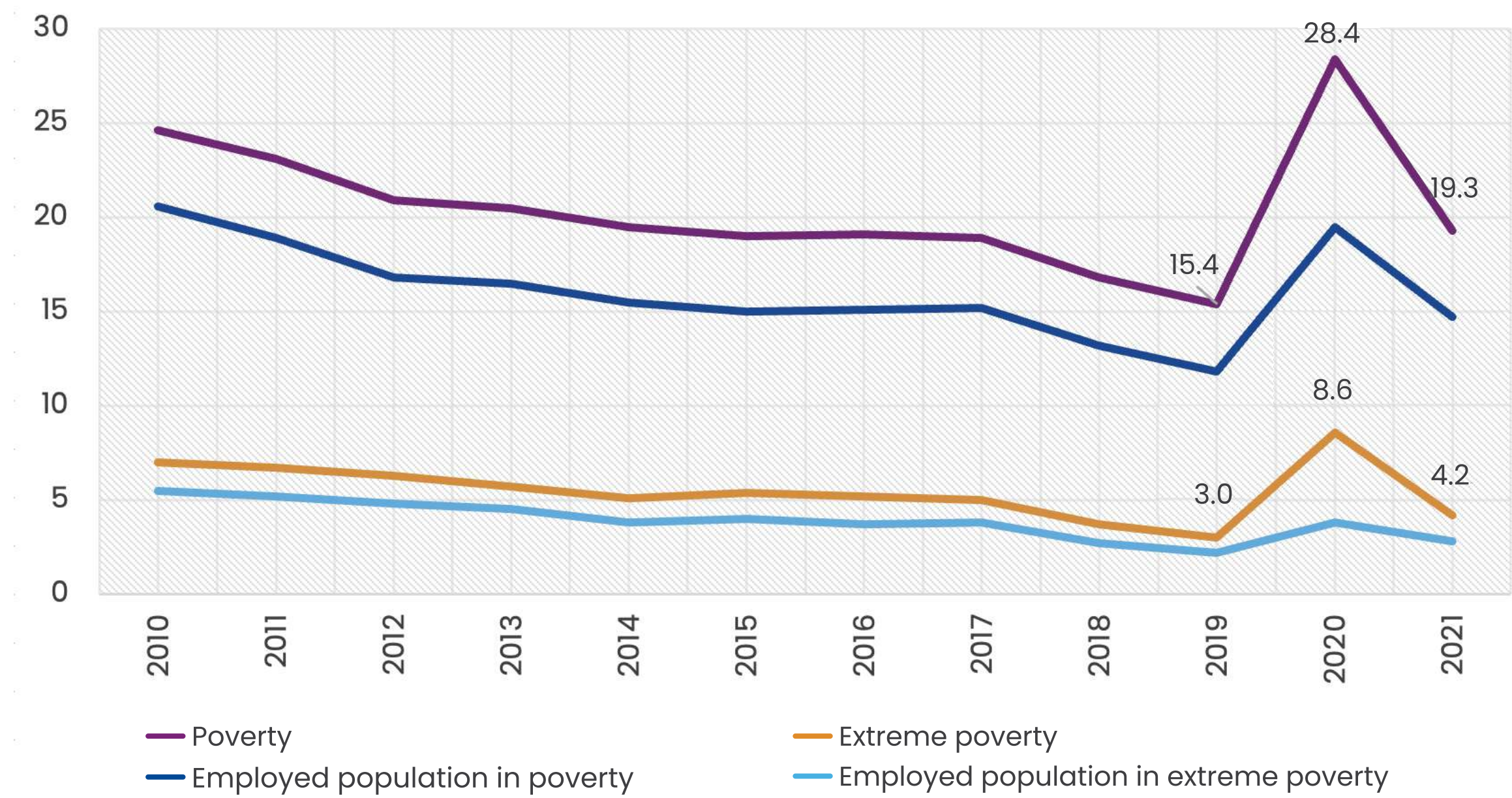
Public social spending by selected functions and external public debt service, 2000 – 2021



Source: Prepared by the authors based on ECLAC and World Bank data

Annex 7. POVERTY

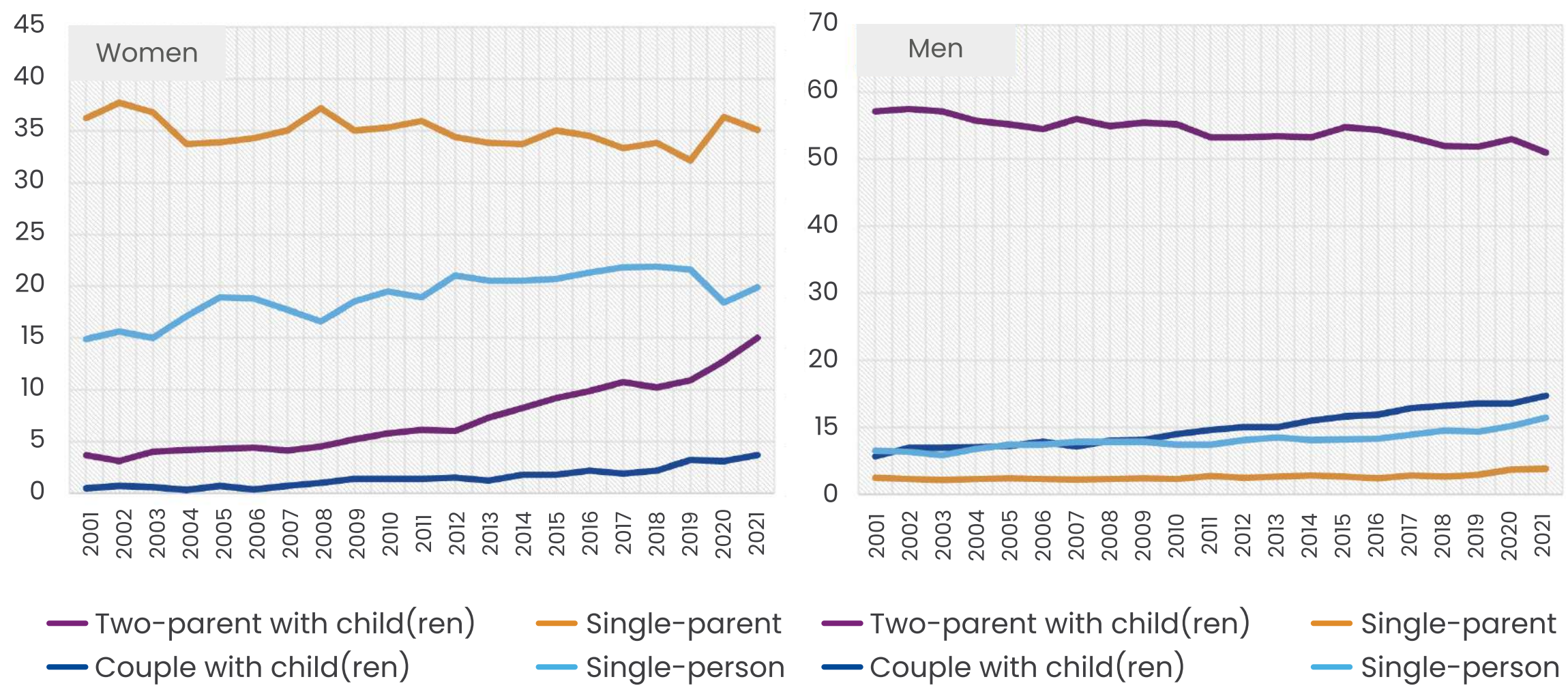
Peru: (Employed) population living in poverty and extreme poverty, 2010 – 2021 (%)



Source: ECLAC – CEPALSTAT. Based on countries’ household surveys. Household Survey Data Bank (BADEHOG)

Annex 8. TYPES OF HOUSEHOLDS BY SEX OF HOUSEHOLD HEAD

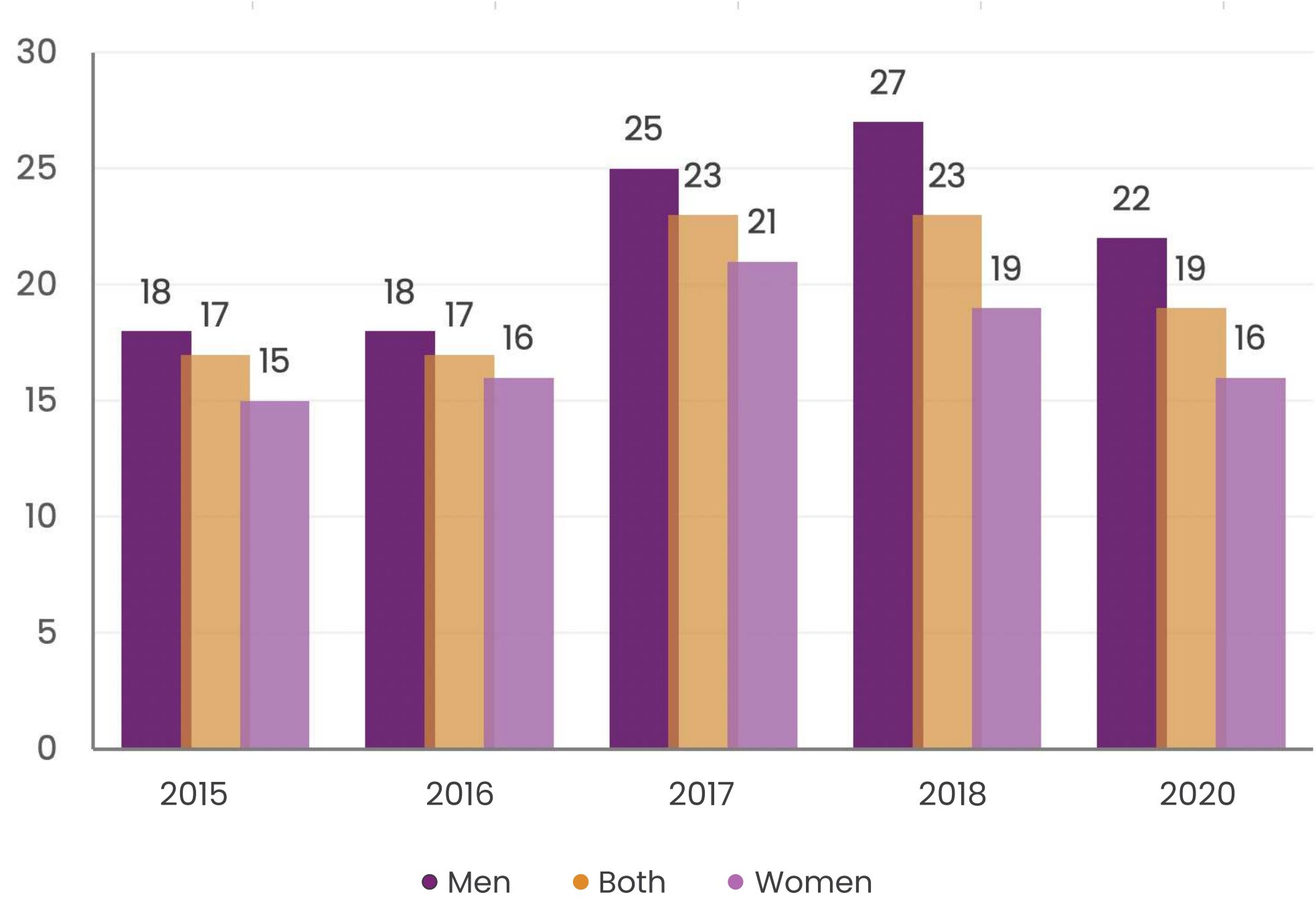
Peru: Types of households by sex of household head (%)



Source: ECLAC – CEPALSTAT. Based on countries’ household surveys. Household Survey Data Bank (BADEHOG)

Annex 9. MIGRATION

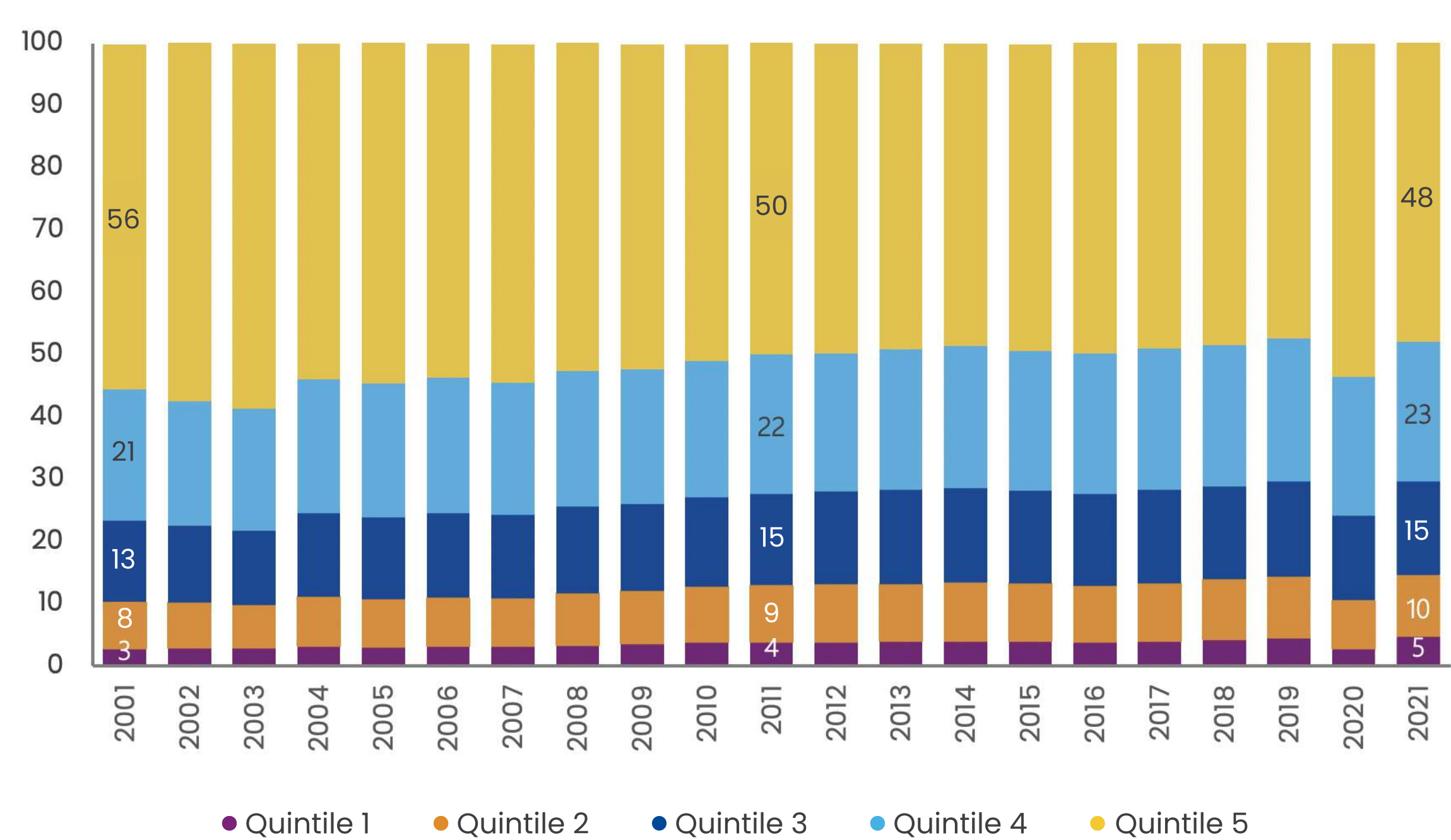
Population that has thought about migrating to another country by sex in Peru (%)



Source: ECLAC - CEPALSTAT. Based on countries' household surveys. Household Survey Data Bank (BADEHOG)

Annex 10. ECONOMIC INEQUALITY

Peru: Distribution of individual labour income by income quintiles (%)



Source: ECLAC - CEPALSTAT. Based on countries' household surveys. Household Survey Data Bank (BADEHOG)t

Annex 11. SUMMARY OF DEBT, FISCAL AND SOCIAL INDICATORS IN PERU

Year	Public debt stock			Public debt service			Public social spending			Poverty		Gender gaps – Employment					Gender gaps – Income		
	US\$ millions	% GDP	US\$ millions	% C G tax revenue	% C G expenditure	Per capita in (constant 2010) US\$	%GDP	Poverty	Feminity index of poverty	Female Unemployment rate	Gap (M-H)	Women's employed in low productivity sectors	Gap (M – H)	Women's without own income	Gap (F – M)	Women's income's not enough			
2004	24,466.0	44.7	2,984.3	32.8	26.4	383.2	10.0	43.7	104.2	8.2	1.9	71.0	14.5	39.5	23.1	72			
2005	22,279.3	41.8	5,717.7	53.0	43.6	410.9	10.3	46.8	105.9	7.5	0.6	70.6	14.6	42.6	23.9	68			
2006	21,971.6	33.8	3,256.2	23.3	21.9	402.2	9.3	41.3	104.8	7.2	1.9	70.1	15.9	38.7	23.5	57			
2007	20,081.4	29.6	8,322.9	49.7	46.6	419.5	8.9	35.8	106.3	6.8	1.5	67.3	13.6	33.4	21.0	58			
2008	19,237.2	26.5	4,709.6	23.6	22.8	473.3	9.2	31.8	107.3	6.6	1.6	67.7	14.9	30.7	18.9	67			
2009	20,600.3	26.7	3,923.0	22.5	17.6	517.9	10.1	28.8	106.7	5.9	0.5	67.2	16.2	29.4	17.8	60			
2010	19,904.6	23.8	7,525.1	33.0	28.2	519.0	9.4	24.6	108.5	5.8	1.5	67.7	15.9	26.9	16.1	57			
2011	20,203.9	21.6	3,030.1	11.0	10.0	522.7	9.1	23.1	109.9	5.1	0.6	65.5	12.8	27.6	16.3	52			
2012	20,401.7	19.9	3,457.3	10.8	10.0	573.4	9.4	20.9	110.3	5.1	1.4	64.2	13.2	26.8	16.3	n.d.			
2013	18,777.8	19.2	5,236.0	15.8	13.9	661.6	10.3	20.5	109.8	5.2	1.2	64.7	14.6	26.5	15.8	44			
2014	19,764.4	19.9	5,175.7	15.4	13.1	724.1	11.1	19.5	110.2	4.6	0.7	63.9	12.5	25.5	14.6	n.d.			
2015	23,630.0	23.2	4,336.9	15.3	11.6	730.5	11.0	19.0	107.5	4.1	0.1	64.1	11.8	24.4	15.0	39			
2016	23,761.5	23.7	6,678.4	25.3	19.4	707.6	10.3	19.1	110.3	5.1	0.5	63.9	10.4	24.0	14.7	42			
2017	22,710.3	24.7	8,148.2	29.3	20.7	777.0	11.2	18.9	108.2	4.9	0.3	65.4	11.8	23.5	14.1	54			
2018	22,977.0	25.6	6,402.9	20.1	25.5	766.4	10.9	16.8	110.1	5.0	0.9	65.3	11.4	23.1	13.6	56			
2019	22,553.6	26.6	9,722.4	29.3	22.4	778.1	11.0	15.4	113.6	5.0	1.0	65.9	11.9	23.1	13.2	n.d.			
2020	32,469.4	34.6	4,633.2	17.4	9.3	831.4	13.3	28.4	106.0	9.0	0.2	67.2	8.0	21.4	5.9	61			
2021	45,533.4	35.9	4,122.1	11.4	8.5	854.0	12.3	19.3	112.5	7.7	1.7	69.2	8.4	25.8	13.4	n.d.			

Source: BCRP, MEF, ECLAC

