Stu Callison, E3/EP, 20 Aug 2014

**Peru Inclusive Growth Diagnostic (IGD) Screening Profile**[1]

Economic Overview

Peru is an upper middle income country of 30 million people, 4.9 percent of whom (1.5 million) lived in extreme poverty (below $1.25/day) in 2010, having declined from 14.5% in 2001. Those living below Peru's national poverty line declined from 58.7% in 2004 to 25.8% in 2012. Its average per capita income (PPP GNI) was $10,090 in 2012, having grown 5.6% annually in real terms over the previous 5 years. Its Gini index, at 48.1 in 2010, indicates a more skewed distribution of income than in many countries. The adult (ages 15-64) labor force participation rate in 2012 was 77.9%, higher than the average for Latin America and Caribbean (LAC) countries (57.9%) and for upper middle income countries (71.9%). The adult female labor force participation rate of 69.1% is also higher than the average for both LAC countries (64.9%) and for upper middle income countries (61.6%). The ratio of female to male labor participation rate is 80.6%, compared with the 67.7% and 74.9% for LAC and upper middle income country averages, respectively. [World Bank World Development Indicators (WB WDI)]

WB WDI reported Peru's consumer price inflation as only 3.7% in 2012 and averaged only 2.9% over the last 10 years. Peru had a fiscal budget surplus of 1.9% in 2012. Value-added in services contributed 58.4% to GDP in 2012, in agriculture 7.0%, and in industry 34.6%.

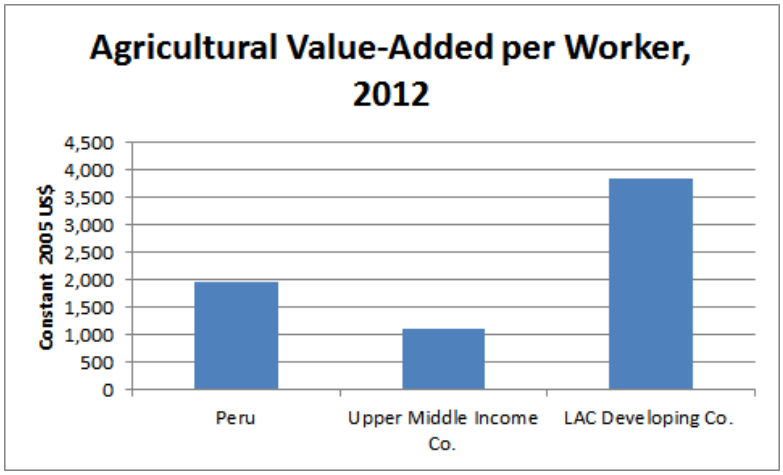
Based on the readily available indicators discussed below, although Peru's economy has grown rapidly and the country has made remarkable progress in reducing poverty over the last decade, there is still a sizable portion of the workforce engaged in very low income, vulnerable and informal employment, with the latter comprising 70% of all non-agricultural jobs. With investment rates fairly high, incremental capital output ratios (ICORs) low (indicating efficient use of new investment to produce goods and services), doing business policies relatively good, the banking system rated as sound and well-capitalized, why hasn't the economy produced better jobs at a faster rate? Literacy rates are reasonably high, but the quality of education is very poor, especially in math and science education. Peru is given poor grades for the quality of infrastructure and for the quality of its public institutions. An inefficient government bureaucracy and corruption were cited by business leaders as the two most problematic factors for doing business in Peru, and restrictive labor regulations (such as hiring and firing practices) came in third. Although the banking system *per se* is given good marks, domestic credit to the private sector is very low as a percent of GDP, and the cost of credit is persistently extremely high. The real interest rate was 17.3% and the interest rate spread was 16.8% in 2012, indicating very inefficient financial intermediation.

Which of these factors, or possibly other factors as well, are the more binding constraints to more inclusive economic growth at this point in time should be the subject of more in-depth IGD analysis.

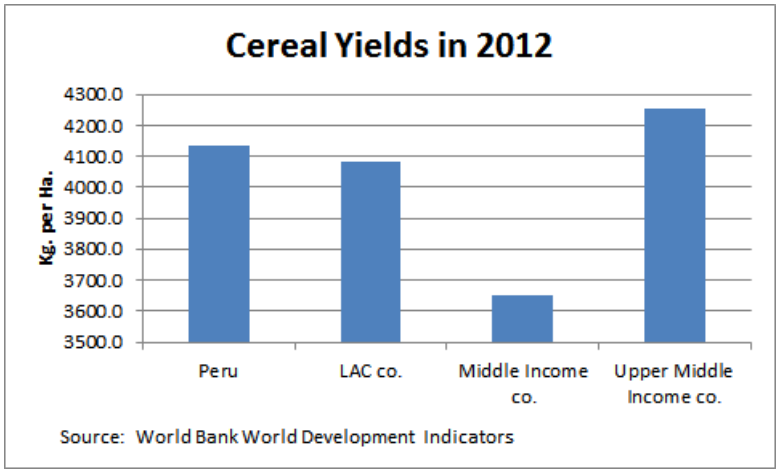
1) Potential for higher smallholder agricultural production and rural incomes

Peru is predominantly urban, with only 22% of the population living in rural areas, and most of these people depend on agriculture for their livelihood. Since agriculture contributes only 7.0% to GDP, this indicates lower productivity per worker than in the non-agricultural sectors. Total agricultural value added per worker in Peru was equal to only US$1,957 in 2012 (in constant 2005 US$), well below the $3,831 average for LAC developing countries, but above the $1,098 achieved in upper middle income countries. This does, however, represent a steady improvement (by 39%) over the $1,407 achieved 8 years before in 2004. The rural population has been declining in recent years as people migrate to the cities looking for better jobs. (WB WDI)

[1] This country profile presents indicators available online that are relevant to the IGD analytical nodes of the "Analytic Guide for an Inclusive Growth Diagnostic (the productive employment model)," which is available from https://dec.usaid.gov/dec




The average cereal yield in Peru was 4,135.8 kg. per hectare in 2012, slightly lower than the average for all upper middle income countries (4,254.7 kg.) but higher than the average for all developing LAC countries (4,082.3 kg.) and for middle income countries (3,653.3 kg.). Total crop production has increased from year to year, with 2012 production higher by 36% than the 2004-2006 average, a better performance than the LAC average of 22%. Livestock production has increased even faster and in 2012 was 48% higher than the 2004-2006 average, compared with an 18% average for all LAC countries. Agricultural land was increased by only 0.7% between the 2004-06 average and 2011, while arable land[2] remained unchanged. Total agricultural value added increased 39% in constant price terms between the 2004-06 average and 2012, while the rural population declined by 3%. (WB WDI) As noted above, agricultural value-added per worker increased during this period, as the agricultural employment share of total employment declined (from 33.3% in 2004 to 25.8% in 2011, the latest figure available). (WB WDI)




[2] Agricultural land refers to the share of land area that is arable, under permanent crops, and under permanent pastures. Arable land includes land defined by the FAO as land under temporary crops (double-cropped areas are counted once), temporary meadows for mowing or for pasture, land under market or kitchen gardens, and land temporarily fallow. Land abandoned as a result of shifting cultivation is excluded. Land under permanent crops is land cultivated with crops that occupy the land for long periods and need not be replanted after each harvest, such as cocoa, coffee, and rubber. This category includes land under flowering shrubs, fruit trees, nut trees, and vines, but excludes land under trees grown for wood or timber. Permanent pasture is land used for five or more years for forage, including natural and cultivated crops. -- http://data.worldbank.org/indicator/AG.LND.AGRI.K2

1A&B) On-farm productivity & Processing and marketing of farm products

1Aa) Agricultural research & extension services

1Ab) Access to credit for farm inputs & capital improvements

1Ac) Rural infrastructure for irrigation and farm-to-market roads

1Ad) Land tenure and land markets

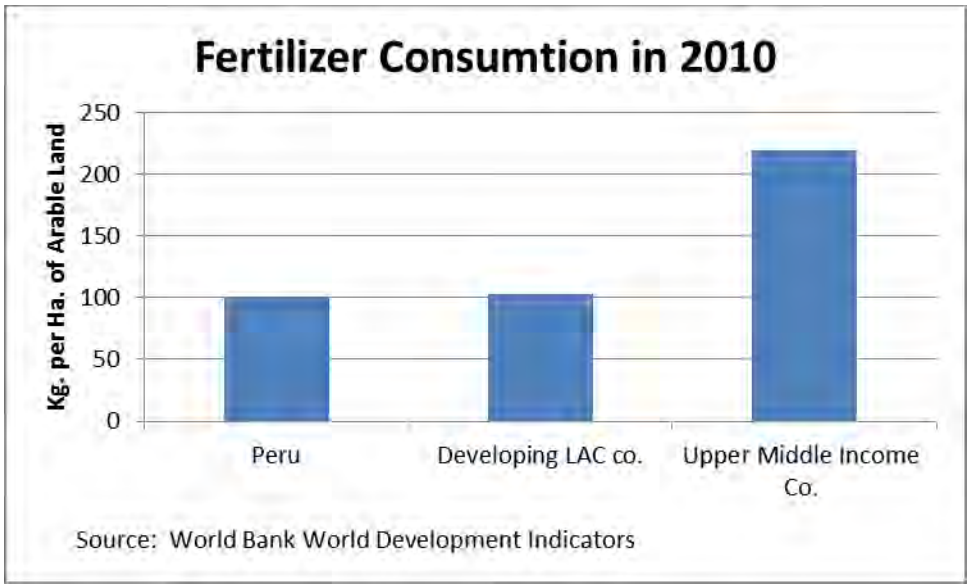
1Ba) Market and pricing policies

1Bb) Availability of information about and contacts with higher value markets

1Bc) Rural infrastructure for transport, electric power, storage, markets, communication

1Bd) Access to rural credit for agriculture product processing, storage, marketing, etc.

The EIU Global Food Security Index (GFI) indicates Peru spends 1% of the agricultural contribution to GDP on agricultural research and development, placing it in bottom 40% of the 105 countries covered. The same index rated Peru in the middle third in access to finance for farmers and in the upper third in agricultural infrastructure. It was scored and ranked good or in the middle range of all three components of the latter index: good in the existence of adequate crop storage facilities, in the third quintile for road infrastructure and in the middle third for port infrastructure. Fertilizer consumption in Peru was 100.3 kg. per hectare of arable land in 2010, almost the same as the developing LAC country average of 102.7 kg. but less than half the upper middle income country average of 219.5 kg. (WB WDI). In 2009 the MCC scored Peru as better than 65% of a comparable group of 89 developing countries in land rights and access. The World Bank Doing Business Indicators 2014 gave Peru a very good score, ranking 22 out of 189, for registering property.




2) Potential for more productive, higher wage non-farm employment.

As noted above, adult labor force participation rates in Peru are fairly very high. Over three fourths of the population lives in urban areas and rural-urban migration is on-going. But despite the overall population growth rate of 1.3% (in 2012), the rural population has been declining since 2007, while the urban population has been growing by more than 1.5% annually, as people migrate to the cities looking for jobs. (WB WDI) The investment climate for creating more productive jobs presents a mixed picture. Peru's overall ease of doing business rank in the World Bank 2014 Doing Business Report is fairly high at 42 out of 189 countries scored. However, it is not doing so well in a few categories that affect its attractiveness to new investors, ranking a low 117 in dealing with construction permits, 105 in enforcing contracts and 110 in resolving insolvency.

| PERU | | Latin America & Caribbean | | GNI per capita (US$) | 5,880 |
|---|---|---|---|---|---|
| Ease of doing business (rank) | 42 | Upper middle income | | Population (m) | 30.0 |
| **Starting a business** (rank) | 63 | **Registering property** (rank) | 22 | **Trading across borders** (rank) | 55 |
| Procedures (number) | 5 | Procedures (number) | 4 | Documents to export (number) | 5 |
| Time (days) | 25 | Time (days) | 6.5 | Time to export (days) | 12 |
| Cost (% of income per capita) | 10.1 | Cost (% of property value) | 3.3 | Cost to export (US$ per container) | 890 |
| Minimum capital (% of income per capita) | 0.0 | | | Documents to import (number) | 7 |
| | | **Getting credit** (rank) | 28 | Time to import (days) | 17 |
| **Dealing with construction permits** | 117 | Strength of legal rights index (0–10) | 7 | Cost to import (US$ per | 1,01 |
| Procedures (number) | 14 | Depth of credit information index (0–6) | 6 | | |
| Time (days) | 173 | Public registry coverage (% of adults) | 31.7 | **Enforcing contracts** (rank) | 105 |
| Cost (% of income per capita) | 109.3 | Private bureau coverage (% of adults) | 41.5 | Procedures (number) | 41 |
| | | | | Time (days) | 426 |
| **Getting electricity** (rank) | 79 | **Protecting investors** (rank) | 16 | Cost (% of claim) | 35.7 |
| Procedures (number) | 5 | Extent of disclosure index (0–10) | 9 | | |
| Time (days) | 100 | Extent of director liability index (0–10) | 6 | **Resolving insolvency** (rank) | 110 |
| Cost (% of income per capita) | 353.7 | Ease of shareholder suits index (0–10) | 6 | Time (years) | 3.1 |
| | | Strength of investor protection index (0– | 7.0 | Cost (% of estate) | 7 |
| | | | | Recovery rate (cents on the dollar) | 27.7 |
| | | **Paying taxes** (rank) | 73 | | |
| | | Payments (number per year) | 9 | | |
| | | Time (hours per year) | 293 | | |
| | | Total tax rate (% of profit) | 36.4 | | |

From World Bank/IFC, 2014 Doing Business Report, p. 217

## 2A) Private Sector Demand for More Productive Employment

### 2Aa) Level of Private Investment (HRV Constraints Analysis)

#### 2Aai) Private returns to economic activity

Gross capital formation in Peru rose from an average of 18.5% of GDP from 2001 to 2005 to 28.2% in 2012. This compares favorably with the 21.3% average for developing LAC countries, but is still somewhat below the 32.6% average for upper middle income countries (WB WDI). Net foreign direct investment (FDI) was equal to 6.0% of GDP in 2012. This is much higher than the 2.8% average for developing LAC countries and upper middle income countries. The 2013-14 WEF GCI survey gave Peru a very good mark for the business impact of rules on FDI, ranking 24 out of 148, and in the prevalence of foreign ownership it ranked 38. (See Appendix Table 10.)

According to the IMF World Economic Outlook, total investment in Peru reached 26.9% of GDP in 2012. Peru placed 52$^{nd}$ among 173 countries for this indicator. GDP per capita grew by 5.0% in 2012 and averaged 5.8% over the 8-year period from 2005 to 2012. Rough incremental capital/output ratio (ICOR) calculations, based on 5-year averages of gross fixed capital formation and subsequent GDP growth rates, indicate a relatively low and decreasing ICOR, falling from 4.4 from 2000-2005 to 3.1 from 2005-2010. This indicates fairly efficient use of capital investment to achieve growth in GDP.

##### 2Aai1) Evidence of low social returns

##### Is there inadequate human capital to run a business successfully?

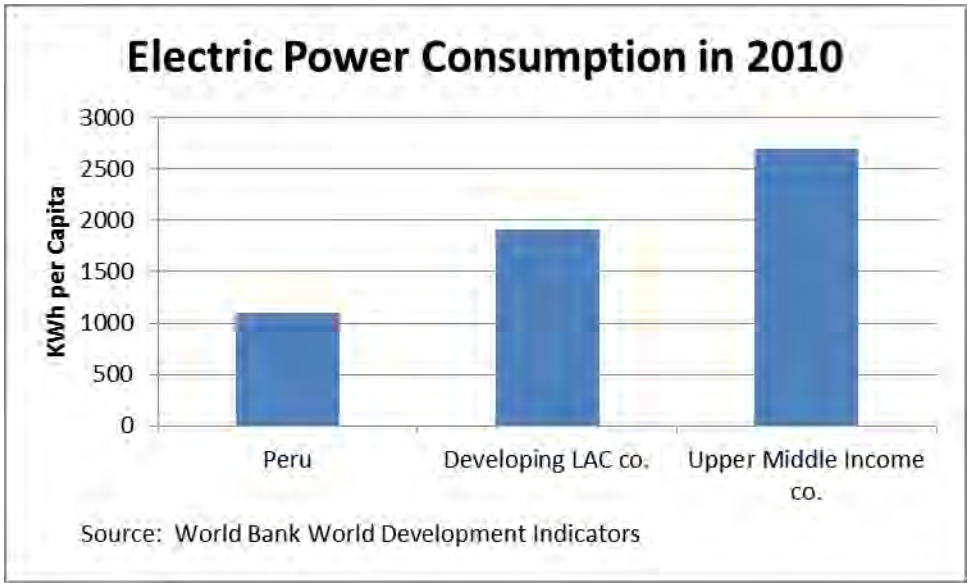
About 90% of the Peruvian adult population was recorded as literate in 2007 (latest figure available), on par with averages for other LAC and upper middle income countries (WB WDI). The mean years of schooling achieved by Peru adults was 8.7 in 2012, putting the country in 78$^{th}$ place out of 187 countries. Although only 7.2% of business leaders surveyed in the 2013-14 World Economic Forum (WEF) Global Competitiveness Index (GCI) cited an inadequately educated workforce as one of the most problematic factors for doing business in Peru, and only 1.2% of them cited poor public health (See Table 3 in the Appendix), Peru ranked a low 95$^{th}$ out of 148 countries in Health and Primary Education and 86$^{th}$ in Higher Education and Training in that year's GCI. The

country ranked a very low 135th in the quality of primary education and 134th in the quality of the higher education system. It was even closer to the bottom of 148 countries ranked in the quality of math and science education, ranking 140. It ranked 108th for the incidence of malaria. (See Appendix Tables 12 and 13.)

Is there a lack of or poor condition of productive infrastructure?

The 2014 World Bank Doing Business Report ranked Peru a little above the middle of the pack at 79 out of 189 for getting electricity, as it costs an average of 3.5 times income per capita and takes 100 days to do so. According to the UNDP Human Development Report 85.7% of Peru's population had access to electricity in 2009, which placed the country 80th on a list of 126 countries for this indicator. Electric power consumption in 2010 was only 1,098 KWh per capita in Peru, compared with averages of 1,906 in developing LAC countries and 2,701 in upper middle income countries. Private firms reported an average of 0.6 power outages per month in 2010 (WB WDI). Peru was ranked 73rd out of 148 countries for the quality of its electricity supply in the 2013-14 WEF GCI.

The WB WDI reports that only 13.9% of total Peru's roads were paved in 2006, compared with an average of 28.1% for developing LAC countries and 49.4% for upper middle income countries. The country ranked 101st out of 148 for the quality of its overall infrastructure in the 2013-14 WEF GCI, with a low 102nd rank for the quality of railroad infrastructure, 98th for the quality of its roads, and 93rd for the quality of its port infrastructure. (See Appendix Table 4.) Some 9.2% of the business leaders surveyed by for the 1013-14 WEF GCI listed an inadequate supply of infrastructure as one of the most problematic factors for doing business in Peru, the fourth highest percentage. (Appendix Table 3)




2Aai2) Private appropriability

Government failure/poor governance

As noted above, Peru ranked a moderate 42 out of 189 in the 2014 World Bank Ease of Doing Business (DB) Index, with low scores mainly in dealing with construction permits, enforcing contracts and resolving insolvency. The 2014 Heritage Foundation/Wall Street Journal Index of Economic Freedom ranked Peru 47th, or "moderately free," out of 178 countries in the overall Economic Freedom Index. Its Labor Freedom and Business Freedom Indices gave Peru scores of 61.4 and 70.6, respectively, with 100.0 being the best, placing 94th and 74th among the 178 countries ranked, with the Labor Freedom Index declining -5.7 points and the Business Freedom Index

declining -1.7 points from the year before. It also ranked low in Freedom from Corruption (81st) and Property Rights (70th). However, it ranked very high, in 9th place, in Monetary Freedom and better than 50 in Trade, Investment and Financial Freedom rankings. "Over the 20-year history of the *Index*, Peru has advanced its economic freedom score by nearly 11 points. It has achieved double-digit improvements in half of the 10 economic freedoms, most notably in monetary freedom and trade freedom, which have improved by over 35 points and provide a stable foundation to improve the economy's engagement in global commerce."[3]

The Canadian Fraser Institute, in its annual Economic Freedom of the World Report for 2013, ranked Peru 29th out of 152 countries in its 2011 overall "chain-linked" index. Again, a steady improvement over the last 21 years is evident, as Peru ranked 100th in 1990. The worst 2011 Fraser Institute ranking was in the Legal System and Property Rights category, where it was ranked 87.

Peru scored -0.15 in the 2011 Government Effectiveness Estimate of the World Bank Governance Indicators, out of a -2.5 to +2.5 range, ranking 107th in a list of 212 countries. It scored a low -0.61 in the 2012 WB Rule of Law Estimate, in 146th place out of 212. Peru scored 38 out of 100 possible points in the Transparency International Corruption Perceptions Index in 2012 and tied with 5 other countries for 91st place among 176 countries scored.

The World Bank Governance Matters Control of Corruption estimate of 2011 scored Peru -0.20 in the -2.5 to +2.5 range, in a 3-way tie for 96th out of 212 countries. As noted above, the 2014 Heritage Foundation/Wall Street Journal Freedom from Corruption index ranked Peru 81st out of 178 countries.

In the 2013-14 WEF GCI the highest percentage (19.6%) of the business leaders surveyed listed inefficient government bureaucracy as the most problematic factor for doing business in Peru. Corruption was cited by the second highest percentage (15.7%) and restrictive labor regulations came in a close third (14.1%). (See Appendix Table 3) Peru received very poor marks for 17 of the 21 elements of the GCI Institutions pillar, but was ranked a very high 13 out of 148 for the strength of investor protection, an indicator that came from the 2014 World Bank Doing Business Report. (Appendix Table 5)

Market failures in the availability of information for innovation and "coordination"

The 2013-14 WEF GCI gave Peru mediocre scores for the Technological Readiness, Business Sophistication and Innovation pillars, ranking them 86, 74 and 122 out of 148, respectively. It received poor scores and ranked worse than 100 for mobile broadband subscriptions, state of cluster development, nature of competitive advantage, and 5 of the 7 elements of the Innovation pillar. The other element scores in these three GCI pillars were mediocre, except for foreign direct investment and technology transfer which had a very good score, ranking 23rd out of 148. (See Appendix Tables 6, 7 & 8.)

2Aaii) Cost of finance

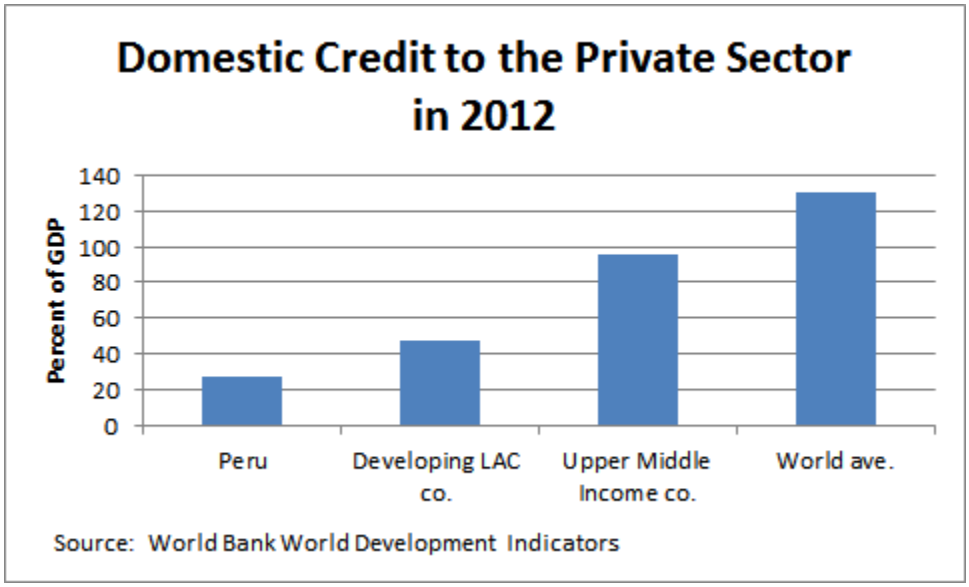
Domestic credit to Peru's private sector was only 26.7% of GDP in 2012 (WB WDI). While this ratio has steadily improved from a low of 17.1% in 2006, it is still way below the developing LAC country average of 47.0% and the upper middle income country average of 95.3%, not to mention the worldwide country average of 129.8%.

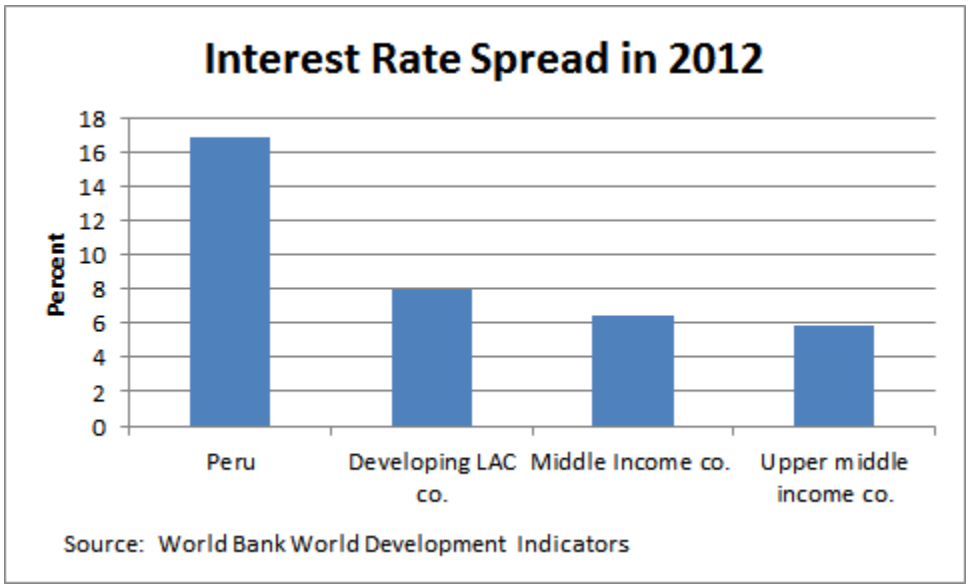
In the World Bank 2014 Doing Business Indicators the country was ranked fairly high at 28 out of 189 for getting credit. However, the cost of credit is another matter. The lending interest rate was 19.2% in 2012, down from 25.5% in 2005 but still quite high, as was the real interest rate at 17.3%. The interest rate spread was a whopping 16.8%, and ranged between 16.3 and 22.9% between 2001 and 2012, indicating very inefficient financial intermediation. This was the sixth highest among 140 countries recorded in 2012. The average interest rate spread among developing LAC countries was 8.0%, among middle income countries is was 6.4%, and among upper middle income countries 5.9%. The world average is 6.0%. (WB WDI).

[3] Heritage Foundation *Index of Economic Freedom*, 2014, pp. 353-354

In the 2013-14 WEF GCI survey of business leaders, access to financing was listed as the most problematic factor for doing business in Peru by only 3.1% of responses, the 9th highest percentage. (See Appendix Table 3.) Peru was ranked better than 60 out of 148 in all 8 components of the Financial Market Development pillar, with the best performance in the soundness of banks, ease of access to loans, legal rights index, and the availability of financial services. (See Appendix Table 9.)

The 2014 Heritage Foundation/Wall Street Journal Investment Freedom Index and Financial Freedom Index scored Peru 70.0 and 60.0, respectively, out of 100 possible points in 2014, ranking 46th and 41st out of 178 countries, and reported that "Foreign and domestic investment are treated equally under the constitution. Credit to the private sector has increased steadily, and banking remains stable and well-capitalized. Non-performing loans represent fewer than 5 percent of total loans."



2Ab) Growth of the more productive Formal Sector

In 2012 Peru reported 46.3% of total employment as vulnerable employment, meaning self-employed and unpaid family workers. It is higher than the 31.6% average for developing LAC countries (WB WDI). As an understated proxy for the informal sector, which does not include informal wage earners, this implies a large informal sector. In a "Statistical Update on Employment in the Informal Economy," published in June 2012 by the ILO Department of Statistics,[4] a total of 69.9% of all non-agricultural employment in Peru was tabulated as informal, consisting of persons employed in the informal sector and persons in informal employment outside the informal sector. Of total female non-agricultural employment 75.7% was informal, and of total male non-agricultural employment 65.1% was informal. As noted at the beginning of this profile, over 25% of the population remains below the national poverty line for lack of better employment.

2Ac) Labor Intensity of Production

Peru's trade with the outside world totaled 49.5% of GDP in 2012, having increased from 33.4% in 2002. This is comparable to the 49.7% average of developing LAC countries, but lower than the 60% averages of middle and upper middle income countries. (WB WDI). The country was ranked in the upper third of the pack (55 out of 189) in the 2014 Doing Business Indicators for Trading Across Borders. It was ranked 34 out of 148 in the WEF GCI index for trade tariffs, with tariffs averaging only 1.9%. However, that same GCI index gave Peru lower marks for the prevalence of trade barriers, ranking 75$^{th}$, and for imports as a percentage of GDP (25%), ranking 137$^{th}$. It was ranked 69$^{th}$ for the burden of customs procedures. (See Appendix Table 10.) The World Bank Development Research Group Trade Research Unit calculated a Trade Restrictiveness Index that resulted in a marginal score of 7.36 for Peru in 2006-09 (latest).[5] A further enhanced ability to trade would favor a latent comparative advantage in more labor-intensive activities for both export and import-substitution goods and services.

The World Bank Country Policy and Institutional Assessment (CPIA) ratings for social inclusion-equity and gender equality did not include Peru.

Of the 12 "pillars" in the 2013-14 WEF GCI Peru received one of its four best rankings in Labor Market Efficiency, 48 out of 148. It scored high in the country's capacity to attract and retain talent, ranking 37 and 42, respectively, and in reliance on professional management, ranking 45, but very low in hiring and firing practices, ranking 129 out of 148. (See Appendix Table 11.) Of the businessmen surveyed 14.1% cited restrictive labor regulations as the most problematic factor for doing business in Peru, the third highest percentage, perhaps because of those hiring and firing practices. (Appendix Table 3)

2B) Employability of the Workforce:

Some 89.6% of the Peruvian adult population was recorded as literate in 2007 (latest figure available), on par with averages for other LAC and upper middle income countries (WB WDI). A little more than 84% of the women were literate in 2007, less than the 90.7% for developing LAC countries and the 91.3% average for upper middle income countries in 2010. Peru's primary school completion rate in 2011 was 96.8% of the relevant age group, a bit lower than the 101.7% average in developing LAC countries. (WB WDI)

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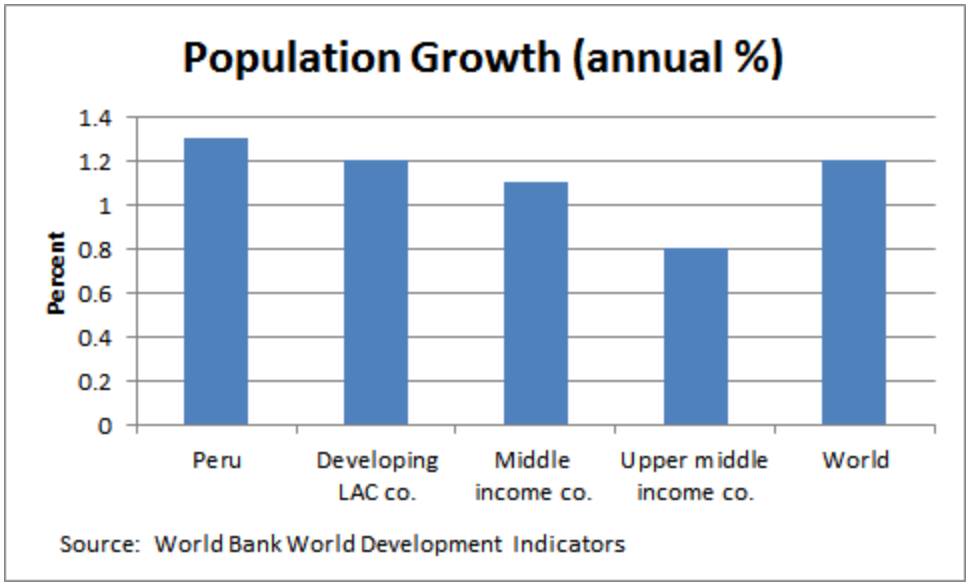
[4] http://laborsta.ilo.org/informal_economy_E.html

[5] The Trade Restrictiveness Index is an indicator of the trade restrictiveness of the MFN tariff schedule of a country. It calculates the equivalent uniform tariff of a country's tariff schedule that would keep domestic import levels constant. Product level tariffs are weighted by import shares as well as the responsiveness of imports to price changes (import demand elasticity). It includes preferential rates. It is expressed as a tariff rate. Lower is better. The higher the number, the more restrictive a country's trade policy, and the less open the country is to international competition. Desirable to be less than 7.0. http://info.worldbank.org/etools/wti/3a.asp#

Easily available health indicators present a mixed picture. A WB WDI table lists life expectancy in Peru in 2011 as 74 years, the same as the average for all developing LAC countries and for upper middle income countries.

Peru's infant mortality rate has steadily improved from 28.4 per 1000 live births in 2001 to 14.1 per 1000 in 2012, compared with a 16.3 average in 2012 for developing LAC countries and 16.1 for upper middle income countries. The incidence of tuberculosis is 95 per 100,000 people, higher than the 45 per 100,000 average for developing LAC countries and the 86 per 100,000 for upper middle income countries, but lower than the 127 per 100,000 for middle income countries. The prevalence of HIV in the adult population, at 0.4%, is very low. (WB WDI) The WEF GCI ranked Peru 108 out of 148 in malaria cases, although the actual number of cases is fairly low, comprising only 0.26% of the population. (See Appendix Table 12.)

Peru's population growth rate is 1.3% per year. (WB WDI) This is a little higher than the average for developing LAC countries of 1.2% and the 1.1% average for middle income countries, but higher still than the 0.8% average for upper middle income countries. It would be easier for the country to improve its health and education services fast enough to keep up with the increasing need for them if its population growth rate could be reduced even further.



## Appendix

| **Table 1. The Global Competitiveness Index: Peru** | Rank (out of 148) | Score (1–7) |
|---|---|---|
| GCI 2013–2014 | **61** | **4.3** |
| GCI 2012–2013 (out of 144) | 61 | 4.3 |
| GCI 2011–2012 (out of 142) | 67 | 4.2 |
| | | |
| **Basic requirements (40.0%)** | **72** | **4.5** |
| Institutions | 109 | 3.4 |
| Infrastructure | 91 | 3.5 |
| Macroeconomic environment | 20 | 5.9 |
| Health and primary education | 95 | 5.4 |
| | | |
| **Efficiency enhancers (50.0%)** | **57** | **4.2** |
| Higher education and training | 86 | 4.0 |
| Goods market efficiency | 52 | 4.4 |
| Labor market efficiency | 48 | 4.5 |
| Financial market development | 40 | 4.5 |
| Technological readiness | 86 | 3.4 |
| Market size | 43 | 4.5 |
| | | |
| **Innovation and sophistication factors (10.0%)** | **97** | **3.4** |
| Business sophistication | 74 | 3.9 |
| Innovation | 122 | 2.8 |
| | | |
| Source: WEF, *Global Competitiveness Report 2013–2014*, p. 312 | | |

| **Table 2. Macroeconomic environment: Peru** | Rank (out of 148) | Score |
|---|---|---|
| 3.03 Inflation, annual % change* | 67 | 3.7 |
| 3.02 Gross national savings, % GDP* | 54 | 23.3 |
| 3.05 Country credit rating, 0–100 (best)* | 41 | 63.6 |
| 3.04 General government debt, % GDP* | 23 | 19.8 |
| 3.01 Government budget balance, % GDP* | 17 | 2.0 |
| | | |
| Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*). | | |
| Source: WEF, *Global Competitiveness Report 2013–2014*, p. 313 | | |

| **Table 3. The most problematic factors for doing business in Peru** | (Percent of Responses) |
|---|---|
| Inefficient government bureaucracy | 19.6 |
| Corruption | 15.7 |
| Restrictive labor regulations | 14.1 |
| Inadequate supply of infrastructure | 9.2 |
| Tax regulations | 8.9 |
| Crime and theft | 7.2 |
| Inadequately educated workforce | 7.2 |
| Tax rates | 5.3 |
| Access to financing | 3.1 |
| Policy instability | 3.0 |
| Insufficient capacity to innovate | 2.8 |
| Poor work ethic in national labor force | 1.9 |
| Poor public health | 1.2 |
| Government instability/coups | 0.6 |
| Foreign currency regulations | 0.0 |
| Inflation | 0.0 |

Note: From the list of factors above, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

Source: WEF, *Global Competitiveness Report 2013–2014*, p. 312

| **Table 4. Infrastructure: Peru** | Rank (out of 148) | Score (1–7) |
|---|---|---|
| 2.03 Quality of railroad infrastructure | 102 | 1.8 |
| 2.01 Quality of overall infrastructure | 101 | 3.6 |
| 2.02 Quality of roads | 98 | 3.3 |
| 2.04 Quality of port infrastructure | 93 | 3.7 |
| 2.08 Mobile telephone subscriptions/100 pop.* | 93 | 98.8 |
| 2.09 Fixed telephone lines/100 pop.* | 87 | 11.5 |
| 2.05 Quality of air transport infrastructure | 85 | 4.2 |
| 2.07 Quality of electricity supply | 73 | 4.9 |
| 2.06 Available airline seat km/week, millions* | 40 | 513.2 |

Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*).

Source: WEF, *Global Competitiveness Report 2013–2014*, p. 313

| **Table 5. Institutions: Peru** | Rank | Score |
|---|---|---|
| | (out of 148) | (1–7) |
| 1.15 Organized crime | 137 | 3.4 |
| 1.16 Reliability of police services | 137 | 2.8 |
| 1.13 Business costs of terrorism | 133 | 4.0 |
| 1.14 Business costs of crime and violence | 132 | 3.2 |
| 1.04 Public trust in politicians | 131 | 2.0 |
| 1.06 Judicial independence | 126 | 2.5 |
| 1.02 Intellectual property protection | 120 | 2.8 |
| 1.17 Ethical behavior of firms | 114 | 3.5 |
| 1.09 Burden of government regulation | 113 | 2.9 |
| 1.03 Diversion of public funds | 111 | 2.6 |
| 1.11 Efficiency of legal framework in challenging regs. | 109 | 3.0 |
| 1.10 Efficiency of legal framework in settling disputes | 107 | 3.2 |
| 1.01 Property rights | 102 | 3.7 |
| 1.08 Wastefulness of government spending | 91 | 2.9 |
| 1.12 Transparency of government policymaking | 89 | 3.9 |
| 1.07 Favoritism in decisions of government officials | 85 | 2.9 |
| 1.05 Irregular payments and bribes | 84 | 3.7 |
| 1.20 Protection of minority shareholders' interests | 68 | 4.2 |
| 1.18 Strength of auditing and reporting standards | 53 | 4.9 |
| 1.19 Efficacy of corporate boards | 33 | 5.0 |
| 1.21 Strength of investor protection, 0–10 (best)* | 13 | 7.7 |
| | | |
| Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*). | | |
| Source: WEF, *Global Competitiveness Report 2013–2014*, p. 313 | | |

| **Table 6. Technological readiness: Peru** | Rank | Score |
|---|---|---|
| | (out of 148) | (1–7) |
| 9.07 Mobile broadband subscriptions/100 pop.* | 109 | 2.8 |
| 9.06 Int'l Internet bandwidth, kb/s per user* | 88 | 13.2 |
| 9.04 Individuals using Internet, %* | 86 | 38.2 |
| 9.01 Availability of latest technologies | 85 | 4.6 |
| 9.02 Firm-level technology absorption | 83 | 4.6 |
| 9.05 Fixed broadband Internet subscriptions/100 pop.* | 82 | 4.8 |
| 9.03 FDI and technology transfer | 23 | 5.2 |
| | | |
| Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*). | | |
| Source: WEF, *Global Competitiveness Report 2013–2014*, p. 313 | | |

| **Table 7. Business sophistication: Peru** | Rank (out of 148) | Score (1–7) |
|---|---|---|
| 11.03 State of cluster development | 102 | 3.4 |
| 11.04 Nature of competitive advantage | 100 | 3.1 |
| 11.07 Production process sophistication | 82 | 3.6 |
| 11.09 Willingness to delegate authority | 78 | 3.7 |
| 11.05 Value chain breadth | 77 | 3.7 |
| 11.06 Control of international distribution | 67 | 4.1 |
| 11.08 Extent of marketing | 64 | 4.3 |
| 11.01 Local supplier quantity | 60 | 4.8 |
| 11.02 Local supplier quality | 58 | 4.6 |
| | | |
| Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*). | | |
| Source: WEF, *Global Competitiveness Report 2013–2014*, p. 313 | | |

| **Table 8. Innovation: Peru** | Rank (out of 148) | Score (1–7) |
|---|---|---|
| 12.03 Company spending on R&D | 124 | 2.5 |
| 12.02 Quality of scientific research institutions | 119 | 2.9 |
| 12.06 Availability of scientists and engineers | 113 | 3.4 |
| 12.04 University-industry collaboration in R&D | 109 | 3.1 |
| 12.01 Capacity for innovation | 106 | 3.1 |
| 12.05 Gov't procurement of advanced tech products | 98 | 3.2 |
| 12.07 PCT patents, applications/million pop.* | 85 | 0.2 |
| | | |
| Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*). | | |
| Source: WEF, *Global Competitiveness Report 2013–2014*, p. 313 | | |

| **Table 9. Financial market development: Peru** | Rank (out of 148) | Score (1–7) |
|---|---|---|
| 8.02 Affordability of financial services | 59 | 4.3 |
| 8.03 Financing through local equity market | 56 | 3.6 |
| 8.07 Regulation of securities exchanges | 54 | 4.4 |
| 8.05 Venture capital availability | 50 | 2.9 |
| 8.01 Availability of financial services | 49 | 4.9 |
| 8.08 Legal rights index, 0–10 (best)* | 42 | 7 |
| 8.04 Ease of access to loans | 30 | 3.5 |
| 8.06 Soundness of banks | 27 | 5.8 |
| | | |
| Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*). | | |
| Source: WEF, *Global Competitiveness Report 2013–2014*, p. 313 | | |

| **Table 10. Goods market efficiency: Peru** | Rank | Score |
|---|---|---|
| | (out of 148) | (1–7) |
| 6.14 Imports as a percentage of GDP* | 137 | 25.0 |
| 6.02 Extent of market dominance | 102 | 3.4 |
| 6.07 No. days to start a business* | 99 | 26 |
| 6.05 Total tax rate, % profits* | 81 | 40.5 |
| 6.09 Prevalence of trade barriers | 75 | 4.3 |
| 6.08 Agricultural policy costs | 70 | 3.9 |
| 6.13 Burden of customs procedures | 69 | 4.1 |
| 6.01 Intensity of local competition | 61 | 5.1 |
| 6.03 Effectiveness of anti-monopoly policy | 58 | 4.2 |
| 6.04 Effect of taxation on incentives to invest | 56 | 3.9 |
| 6.15 Degree of customer orientation | 56 | 4.8 |
| 6.16 Buyer sophistication | 47 | 3.7 |
| 6.11 Prevalence of foreign ownership | 38 | 5.2 |
| 6.10 Trade tariffs, % duty* | 34 | 1.9 |
| 6.06 No. procedures to start a business* | 30 | 5 |
| 6.12 Business impact of rules on FDI | 24 | 5.1 |
| | | |
| Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*). | | |
| Source: WEF, *Global Competitiveness Report 2013–2014*, p. 313 | | |

| **Table 11. Labor market efficiency: Peru** | Rank | Score |
|---|---|---|
| | (out of 148) | (1–7) |
| 7.03 Hiring and firing practices | 129 | 3.1 |
| 7.01 Cooperation in labor-employer relations | 81 | 4.2 |
| 7.05 Effect of taxation on incentives to work | 81 | 3.5 |
| 7.06 Pay and productivity | 76 | 3.9 |
| 7.10 Women in labor force, ratio to men* | 71 | 0.81 |
| 7.02 Flexibility of wage determination | 53 | 5.3 |
| 7.04 Redundancy costs, weeks of salary* | 51 | 11.4 |
| 7.07 Reliance on professional management | 45 | 4.6 |
| 7.08 Country capacity to retain talent | 42 | 4.0 |
| 7.09 Country capacity to attract talent | 37 | 4.1 |
| | | |
| Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*). | | |
| Source: WEF, *Global Competitiveness Report 2013–2014*, p. 313 | | |

| **Table 12. Health and primary education: Peru** | Rank | Score |
|---|---|---|
| | (out of 148) | (1–7) |
| 4.09 Quality of primary education | 135 | 2.3 |
| 4.02 Malaria cases/100,000 pop.* | 108 | 264.4 |
| 4.03 Business impact of tuberculosis | 96 | 5.0 |
| 4.04 Tuberculosis cases/100,000 pop.* | 96 | 101.0 |
| 4.01 Business impact of malaria | 87 | 5.8 |
| 4.05 Business impact of HIV/AIDS | 81 | 5.3 |
| 4.06 HIV prevalence, % adult pop.* | 78 | 0.40 |
| 4.07 Infant mortality, deaths/1,000 live births* | 76 | 14.1 |
| 4.08 Life expectancy, years* | 68 | 74.0 |
| 4.10 Primary education enrollment, net %* | 67 | 94.5 |
| | | |
| Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*). | | |
| Source: WEF, *Global Competitiveness Report 2013–2014*, p. 313 | | |

| **Table 13. Higher education and training: Peru** | Rank | Score |
|---|---|---|
| | (out of 148) | (1–7) |
| 5.04 Quality of math and science education | 140 | 2.4 |
| 5.03 Quality of the educational system | 134 | 2.7 |
| 5.06 Internet access in schools | 94 | 3.7 |
| 5.08 Extent of staff training | 90 | 3.8 |
| 5.07 Availability of research and training services | 89 | 3.9 |
| 5.05 Quality of management schools | 67 | 4.3 |
| 5.01 Secondary education enrollment, gross %* | 65 | 91.2 |
| 5.02 Tertiary education enrollment, gross %* | 59 | 43.0 |
| | | |
| Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*). | | |
| Source: WEF, *Global Competitiveness Report 2013–2014*, p. 313 | | |