

"CURRENT STATUS AND OVERALL TRENDS OF INTERNATIONAL DEVELOPMENT FUNDS IN PERU DURING 2004"

Executive Summary



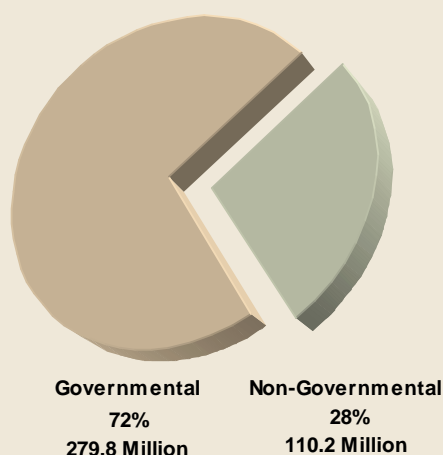
■ Situation and trends

During the year 2004, the total volume of Non Refundable International Cooperation (Official Development Assistance and Private Aid) executed in Peru was US\$ 390 millions (Bilateral Sources, US\$ 219.6 millions; Multilateral Sources, US\$ 60.2 millions, and Private sources, US\$ 110.2 millions).

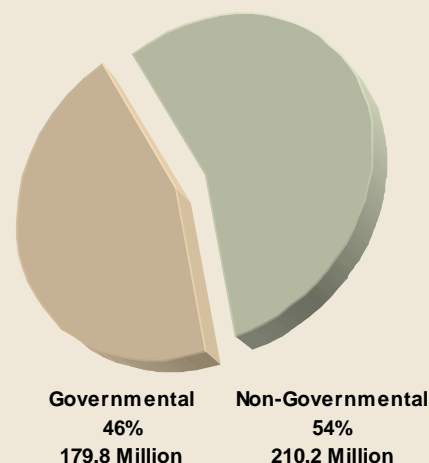
According to the *resources origin* concept, there is a greater contribution of official resources than private resources. The proportional ratio between the amount given by the Official Cooperation and Private Cooperation is 7:3.

Within a short term, a drop of the non refundable ODA can be anticipated because of the withdrawal of some International Cooperation Agencies (around US\$ 11.3 million)¹ and Peru's new condition as *lower middle income country*, in which Peru no longer qualifies to receive funds destined for countries that are designated as *low income countries*.

■ Cooperation Sources



■ Cooperation Executors



Resource origin	Executed resources (1994-2004)		
	1994	1998	2004
Governmental	213,688,212	296,409,430	279,831,551
Non Governmental	47,344,203	59,147,436	110,181,041
Total (US\$)	261,032,415	355,556,866	390,012,592

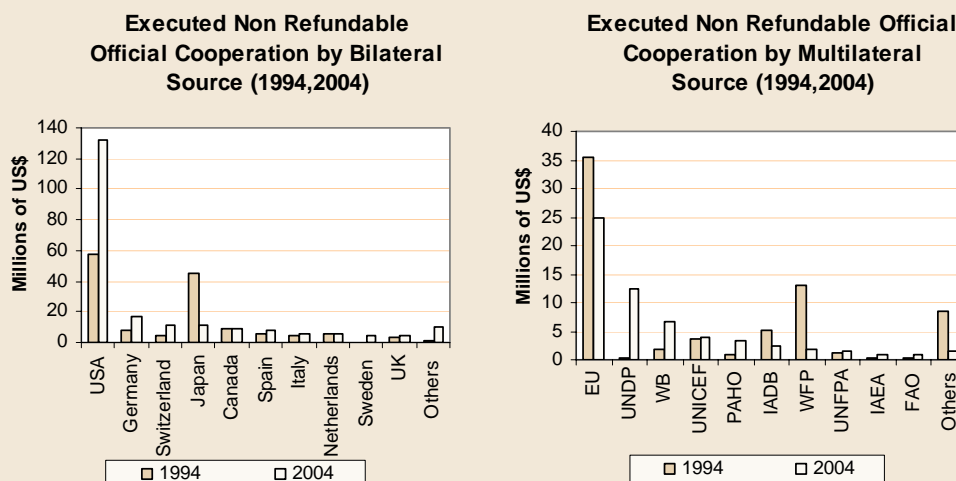
During the last decade, the executed resources of Total International Cooperation in Peru show an increasing tendency from US\$ 261.0 million in 1994, to US\$ 355.6 million in 1998, and to US\$ 390.0 million in 2004. This fact must be carefully analyzed, since the apparent increase of private resources, which compensated the general drop of governmental cooperation, may be a statistical effect due to the improvements on the registration and accounting of private cooperation. If this supposition were correct, the global amount would have gradually decreased throughout the last few years.

¹ Finland, United Kingdom, and the Netherlands' withdrawal is a fact, although some of their resources still appear in the statistics of 2004.

Cooperation Sources

During the last five years (1998-2004), both Bilateral and Multilateral Cooperation have decreased their contribution by US\$ 5.2 million and US\$ 11.4 million respectively, while private cooperation has doubled its resources from US\$ 57 million to US\$ 110.2 million.

USAID is the Cooperation Agency that contributes the most in Peru. Its contribution at the execution level (US\$ 131.6 million) represents 59.9% of all Bilateral Cooperation and is almost eight times larger than the second most important bilateral source (Germany). The Alternative Development Program, almost 50% of the North American contribution, is so important within the Total International Cooperation that it changes some concepts of the statistical tendencies (predominant themes, investment by regions, MDG, among others).



Cooperation Executors

Some indirect data lead us to think that resources (private and official) executed in 2004 by private organizations (around US\$ 210 million), are greater than those executed by official organizations (around US\$ 180 million) by a 6:4 ratio. In other words, private organizations (NGOs) execute more resources than the government.

Project Atomization

The Official Development Assistance (bilateral and multilateral) executed 589 projects, while 1,135 projects were carried out with Private Aid. Between 1994 and 2004, the number of projects increased by 145%, whereas the total amount of annually executed resources increased by 49%. In general terms, a trend towards project atomization is noticeable. The average project budget has moved from US\$ 371,000 in 1994, to US\$ 352,000 in 1998 and to US\$ 225,000 in 2004.

Cooperation in Perspective

The US\$ 390.0 million of Total International Cooperation (ODA + Private Aid) was equivalent to 2.9% of the 2004 national budget and 23.2% of Peru's Public Investment. The Official Development Assistance was equivalent to 2.1% of the national budget and 16.6% of Public Investment. Thus, out of every 10 Dollars of Public Investment, the Official Development Assistance would represent 2.3 Dollars.

Cooperation by Region

Out of the Total International Cooperation, 30.8% (US\$ 120 million) is executed at the National level, and the rest, 62.2% (US\$ 270 million), is assigned to specific regions. Out of this 62.2%, each region receives an average of US\$ 10.8 million.

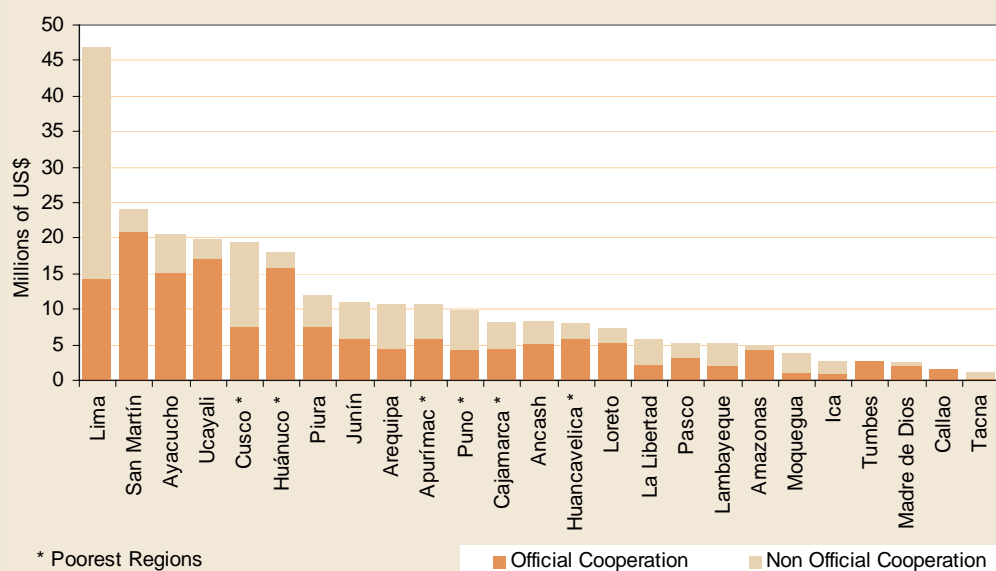
Lima is the region that receives the greatest amount of non-refundable external resources: 12 % (US\$ 46.8 million) of the total International Cooperation. This trend is even more evident regarding Private Aid (NGOs), which execute almost a third of its total resources in Lima. This city has nearly 2.8 million living below the poverty line (17% of the total population). No other region surpasses this amount. Nevertheless, in terms of extreme poverty, Lima is in twelfth place having 236,000 people in this condition. In the light of the Millennium Development Goal 1, which seeks the reduction of extreme poverty, this resource concentration is not consistent.

44.0% (US\$ 171.7 million) of the Total International Cooperation (ODA + Private Aid) is present in the eight regions that receive a contribution greater than the average (Lima, San Martín, Ayacucho, Ucayali, Cusco, Huánuco, Piura, Junín). These eight regions do not appear as the most poor or extremely poor, except in the cases of Cusco and Huánuco, that are respectively in the fifth and sixth place of this ranking. The most affected by poverty and extreme poverty region, Huancavelica, is only listed in twelfth place.

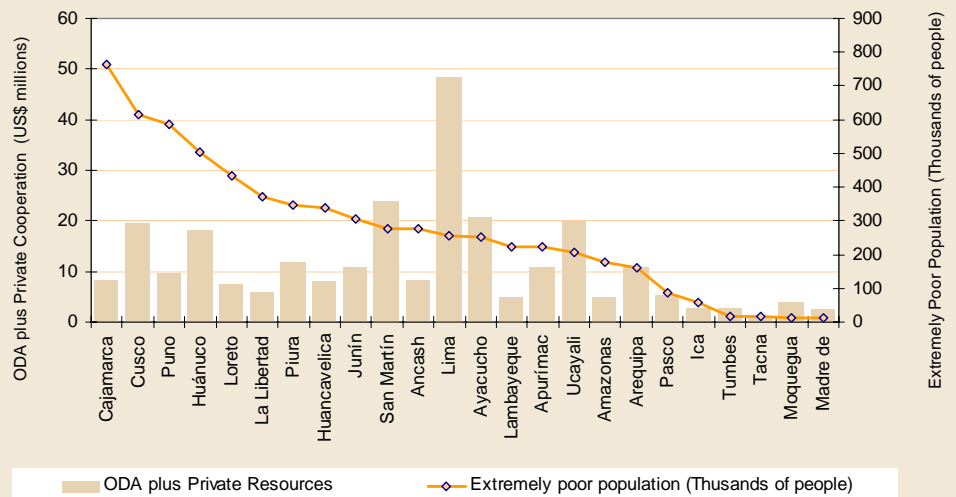
Only 19.0% (US\$ 74.3 million) of the Total International Cooperation is concentrated in the first five regions most affected by poverty and/or extreme poverty (actually there are six, Huancavelica, Huánuco, Puno, Cusco, Apurímac and Cajamarca, but four of them fit into both classifications while two vary from one indicator to the other).

29.9% (US\$ 83.6 million) of the ODA (bilateral and multilateral) or almost a third of this aid was assigned to the five regions most affected by poverty and/or extreme poverty. In the case of Private Aid, this amount was 28% (US\$ 30.6 million).

General View of the Total Cooperation by Region - 2004



Extremely Poor Population and Total Cooperation by Region - 2004



Cooperation by Sector

77.9% (US\$ 303.7 million) of the Total International Cooperation received (ODA + Private Aid) is distributed into five sectors: Multi-sector, Women and Development, Health, Agriculture and Education. 32.5% of the total International Cooperation received is classified as multi-sector because of the important presence of the Alternative Development Program (Official Non Refundable Cooperation, US\$ 73.4 million).

In spite of its importance in employment creation and poverty fighting, Tourism was the administrative sector that received less International Cooperation (ODA + Private Aid), not only in 2004 but during the last decade.

Cooperation by Topic

In 1994, Productive Development was the main topic for the Non Refundable Official Development Assistance, followed by Social Development. The order of importance was inverted in 2004. Economic Infrastructure, the third theme in importance in 1994, dropped to the seventh place in 2004. Institution-building (Support to Public and Private management), that was placed as seventh in 1994, rose to fourth place in 2004.

88.7% (US\$ 346 million) of the International Cooperation received (ODA + Private Aid) fits into the priorities of the National Plan for Poverty Elimination (PNSP). 90.2% (US\$ 252.4 million) of the Official Cooperation's resources is aligned to these priorities. In the case of the Private Aid this amount is 84.9% (US \$93.6 million).

Cooperation by MDG

66.9% (US\$ 260.9 million) of the executed International Cooperation (ODA + Private Aid) in 2004 is aligned with some Millennium Development Goals (MDG). 79.3% of the ODA (US\$ 222 million) respond to the MDG, while in Private Aid only 35.3% (US\$ 38.9 million) is aligned with MDG.

39.0% (US\$ 152.2 million) of the Total International Cooperation received (ODA + Private Aid) is assigned to Goal 1, Eradicate Extreme Poverty and Hunger, followed by Goal 7, Ensure Environmental Sustainability, with 14.3% (US\$ 55.7 million), and Goal 8, Develop a Global Partnership for Development, with a 3.9% (US\$ 15.1 million). Nevertheless, this resource concentration only shows the degree of ambiguous definition in each goal and reinforces the idea of a lack of focus.

Cooperation by Millenium Development Goals (2004)

