

Social Protection Systems in Latin America and the Caribbean: Peru

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In the past decade Peru has undergone great economic and social changes. The country has experienced rapid economic growth, accompanied by increased social policy efforts. Indeed, since the 2000s, the Peruvian State has adopted important innovations for the provision of basic social services in the areas of health and education. Efforts have also been made to develop and expand poverty reduction programmes, such as *Juntos*, as well as non-contributory social pensions for elderly people living in poverty.

Peru has a pension system made up of contributory and non-contributory systems. Contributory pensions, which covered only 24.8 per cent of the working population in 2008, fall under three main regimes: the National Pension System (*Sistema Nacional de Pensiones*—SNP), the Living Decree (*Cédula Viva*) and the Private Pension System (*Sistema Privado de Pensiones*—SPP), which is an individual capitalisation system. The two first regimes are part of the public pension system and are managed by the State. The third one is administered by private pension fund administrators (*Administradoras de Fondos de Pensiones*—AFP). In 2008, a new Social Pension System (SPS) was established by law.

The Peruvian State also offers two non-contributory pensions for vulnerable elderly people who have not contributed to a pension fund or whose contributions do not allow them to receive a decent pension: the Minimum Pension for Old Age (*Pensión Mínima de Vejez*), created in 2001, and the National Solidarity Assistance Pension (*Pensión Nacional de Asistencia Solidaria*, 'Pensión 65'), implemented in 2011.

The health system is also divided into a universal public health sector and a private sector. One of the major issues concerning the health system in Peru has been the lack of public funding. Social spending on health has a low priority in public social expenditure and is mainly targeted at poor households, trying to ensure access to maternal and older adults' health care. Moreover, health insurance falls under a range of different regimes and institutions. Contributory health insurance is managed by Institutions for the Administration of Health Insurance Funds (*Instituciones Administradoras de Fondos de Aseguramiento en Salud*—IAFAs). Among the IAFAs there are private-sector insurance companies and private health provision entities (*Entidades Prestadoras de Salud*—EPSs), as well as public health insurance programmes, such as the Social Health Insurance (*Es Salud*). The Universal Health Insurance (*Aseguramiento Universal de Salud*—AUS) of 2009 and implementation in the same year of the new Essential Health Insurance Plan (*Plan Esencial de Aseguramiento en Salud*—PEAS) changed the design of the Peruvian health insurance system. The AUS established the compulsory nature of insurance and free access to health care for all the residents of the country through the PEAS. It also determined the dissociation of the functions of insurance and provision of health services, encouraging the participation of private entities in the health system.

In 1991, the first instrument to combat poverty was implemented: the National Fund for Social Development (FONCODES). More recently, in 2005, the country implemented the conditional cash transfer programme *Juntos*, targeted at the population living in poverty and extreme poverty. The programme focuses particularly on rural areas, where poverty is more concentrated. However, its coverage has been widened since its creation: the number of beneficiaries has increased from 124,025 people in 2005 to 2,765,521 people in 2011, which constitutes about 7.6 per cent of the total Peruvian population and 21.2 per cent of the population living in extreme poverty.

Concerning education, Peru (together with Chile and Argentina) is one of the countries with the highest primary and secondary school attendance rates in Latin America. It also has almost universal coverage of primary education (94.1 per cent net attendance in 2009), but not secondary education (78.3 per cent). Since 2005, the enrolment rate in primary education has been slowly decreasing, while the secondary-school enrolment rate has been increasing. In both cases, enrolment rates are lower in rural areas. Education receives the second highest amount of social spending in Peru. Yet the low level of public spending on education (compared to other Latin American countries) creates several problems in terms of the quality of teaching and infrastructure, and contributes to accentuating inequalities not only between private and public schools but also within public schools, where the poorest cannot use private resources to fund their education.

The country has achieved good results in terms of reducing poverty and, to a lesser extent, income inequality—although their levels remain quite high—and the expansion of health and education services. Access to public health services has improved with the introduction of the free public health insurance scheme (Integral Health Insurance—SIS). Primary and secondary schooling rates have improved and are now quite high, in particular at the primary education level. However, the importance of labour informality and of geographical differences continues to shape the unequal access to social services and to social protection in the country. Public services still lack adequate funding and remain of poor quality, especially in comparison with those provided by the private sector. Thus, improvements in social indicators such as poverty and income inequality do not necessarily mean that Peru has overcome all the challenges in terms of social protection, especially with respect to guaranteeing universal access to public services and enhancing the quality of services.

Reference:

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