



**2015**  
**LIMA**  
ANNUAL MEETINGS  
WORLD BANK GROUP  
INTERNATIONAL MONETARY FUND

---

October 9, 2015

Statement by the Hon. **OLLANTA HUMALA TASSO**,  
**PRESIDENT** of the **REPUBLIC OF PERU**, at the  
Annual Meetings of the Boards of Governors of the  
World Bank Group and the International Monetary Fund

## **Press Secretariat**

### **Year of Productive Diversification and Educational Strengthening**

**Speech delivered by the President of the Republic, Ollanta Humala Tasso, at  
the Opening Session of the Plenary Meeting of the Board of Governors of  
the World Bank and the International Monetary Fund**

**Lima, October 9, 2015**

Mr. **Kordje Bedoumdra**, Chair of the Board of Governors;

Representatives of the World Bank Group;

Doctor **Jim Yong Kim**, President of the World Bank Group, and

Mr. **Mahmoud Mohieldin**, Corporate Secretary of the World Bank Group;

Representatives of the International Monetary Fund;

Madam **Christine Lagarde**, Managing Director of the International Monetary Fund, and

Mr. **Jianhai Lin**, Secretary of the International Monetary Fund;

Distinguished Governors;

Ladies and Gentlemen,

It gives me great pleasure to welcome you to the city of Lima and to our country, Peru, on the occasion of the opening session of the 2015 Annual Meetings of the Board of Governors of the World Bank and the International Monetary Fund, which brings together representatives from 188 countries, including ministers of economy, governors of central banks, executives from the private sector, academicians, civil society, and visitors from around the world.

I would like to begin by stating how gratifying it is for my country to have been

chosen to host and organize this forum, which returns to Latin America for the first time in 48 years.

Today, Peru's economy is recognized as being sound. This accomplishment has been possible because of the consistent, sustained, and inclusive policies it has followed in recent years.

In just under two decades, Peru has tripled its real gross domestic product, held inflation at 2 percent a year, reduced its national debt, maintained net international reserves at 30 percent of GDP, and kept its country risk factor below the regional level.

These successes are the result of a nationwide effort to strengthen a responsible and stable macroeconomic policy. This policy, among its many advantages, has enabled us to promote national and foreign investment, enter new markets, ensure predictability in government decisions, and devise a policy of social inclusion.

The Government considers the incorporation of millions of Peruvians into the national economy to be of paramount importance.

This new vision, "Inclusion for Growth," is our contribution to the global agenda, which tends to constantly focus on growth and not so much on inclusion, when we know that the two together form a virtuous circle that is enabling us to remain on track to meet the Millennium Development Goals.

However, implementing the "Inclusion for Growth" initiative is not a simple undertaking. We need to (1) start an educational revolution in the country to train and professionalize our young people; (2) increase investments in infrastructure to integrate our markets; and (3) continue working toward productive diversification.

A few days ago, the Seventieth Session of the United Nations General Assembly approved the Sustainable Development Goals: 17 goals and 169 concrete, measurable targets to be achieved by the year 2030. These goals are aimed at ending extreme poverty and malnutrition, guaranteeing access to water and adequate sanitation, achieving gender equality, protecting our forests and oceans, promoting livable and sustainable cities, and addressing many other challenges.

The challenge of achieving these goals by 2030 is immense. Peru is committed to working toward their attainment and is convinced that the most important measures to be adopted are not just economic but also, and above all, policy-driven.

For example, approximately 33 percent of the food produced in the world is wasted—i.e., not consumed by people. At a time when food production is at an all-time high, hunger continues to be a threat to survival and a problem that humankind has been unable to resolve.

It is not just a matter of distribution; it is a problem that calls for policy intervention, as we have seen that the free market is not going to solve it.

The same is true of the 2030 goal for access to safe drinking water and sanitation. The problem goes beyond infrastructure alone; it includes infrastructure **management** so that we can do better with the resources we already have.

In order to meet the Sustainable Development Goals for 2030 established by consensus of the United Nations, we must make policy decisions that are global in scope and continue to raise awareness about the severity of these problems.

Meeting these goals is a challenge for everyone. This should be one of the most important messages to emanate from this annual meeting of the Board of Governors. This is the message from Peru to the world at large. Let us ensure

that the world economy embraces the challenge of sustainable development, and let us work together toward achieving it.

Peru also assumed a major challenge when it hosted the Twentieth Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP20) in December 2014.

We gladly took on this organizational effort because we are aware that our growth must be sustainable in order to protect the environment and that we must move toward decarbonization of the global economy.

In this regard, addressing the issue of climate finance is a task that can no longer be postponed. The Green Fund currently has slightly more than US\$10 billion in its coffers and needs to secure US\$100 billion by 2020.

Working with France, we have established an alliance focused on the success of COP21 and we will lead the discussion on climate finance. We encourage all countries to participate.

Today the world economy is facing new challenges to ensure high sustainable growth, strengthen the emerging middle class in our countries, and reduce poverty and inequality without undermining the macroeconomic stability that we worked so hard to achieve.

As you know, the countries of the world, particularly emerging countries, are grappling with a series of external shocks that are testing their response capacity. To begin with, there is the slowdown in China, where growth has fallen from close to 11 percent at the start of the decade to less than 7 percent in 2015, resulting in a decline in oil and metal prices of between 40 percent and 50 percent.

Second, while the United States economy has been seeing brighter prospects for growth, the Federal Reserve recently announced the possibility of an increase in the interest rate—a situation that is shrouded in much uncertainty and has the potential to lead to a reduction in capital flows and higher financing costs for countries like Peru.

The current external shock is unlike what happened in 2008-2009. While the shock is not as abrupt, it has lasted longer. It affects not only the economic cycle in the short term but also expectations for growth over the medium term in a context of less stable macroeconomic balances and less fiscal and monetary space for implementation of counter-cyclical policies.

However, we should view this slowdown as an opportunity. We believe that in the medium term Latin America will not return to growth rates above 6 percent, comparable to the rates in 2011. We must prepare to continue our efforts to combat poverty and inequality in the context of our current growth rates.

This time the situation is much more challenging; this is why the response of our economies needs to be different from the response in 2009.

We must keep in mind the prospects for economic growth in Latin America as a whole and point out that Peru, within the framework of its national market economy, has been taking practical steps that will help create and consolidate its domestic markets over the medium and long term.

Measures are also needed to reduce taxes and to expand public investment or maintain the existing impetus in social investment, both with respect to social projects and those leading to productive diversification.

Our monetary policy, in turn, has focused heavily on maintaining the stability of the Peruvian currency. Within the region, our currency is among the least

volatile.

The requirements for containment or reserves in Peruvian soles have been lowered and several instruments have been introduced to prevent the effects of a sharp depreciation in the exchange rate in an economy with a decreasing dollarization ratio of around 30 percent.

Unfortunately, the external shock has also affected prospects for growth in the medium term. In the face of this challenge, our response has been structured around three core action areas.

The first area is strengthening human capital. This initiative has included my administration's effort to promote education, a sector that now has a budget unprecedented in our history. The additional funding has enabled us to implement educational reform, which has led in turn to programs that provide our young people with opportunities that would have been unthinkable in the past, as well as tax incentives to companies to promote on-the-job training.

Whereas historically our expenditure on education has averaged around 2.9 percent of GDP, today it accounts for 3.6 percent of GDP and is expected to reach 4 percent in the coming year. This funding effort has enabled us to restore the full school day; create a national scholarship system that has already benefited 72,000 students; introduce reforms in public teacher education, including a salary increase; create high-performance schools (COARs) that offer an international baccalaureate within the public school curriculum; create a national plan for bilingual public education with emphasis on the teaching of English; and build schools at an unprecedented pace—among other achievements.

The second core action area is a strong commitment to major infrastructure

projects in such sectors as transportation, education, sanitation, and health through public-private partnerships.

Notable examples of these projects include the second Metro line, the Longitudinal de la Sierra highway, the South Peruvian gas pipeline, the Chichero International Airport in Cusco, the Moyobamba–Iquitos power lines and associated substations, modernization of ports and airports, upgrading of the Talara refinery, and this new convention center that we are enjoying today.

Under this initiative, the current administration has spent more than US\$20 billion on a total of 29 projects. We have sought to diversify public and private investment in the engines of growth, coupled with investments in mining as well as infrastructure, and establish a growth floor for the coming years.

The third area in the context of the National Plan for Productive Diversification is the implementation of measures such as the creation of Centers for Technology Innovation (CITES); strengthening of the National Council on Science and Technology; creation of the National Quality Institute; coproduction, with technology transfers, of aircraft for pilot instruction and training through the Air Force Maintenance Center, as well as helicopters, working with their respective maintenance and repair centers through Army Aviation; the construction of multipurpose seacraft, patrol boats, bridges, including rope bridges, and other projects through the Naval Industrial Services (SIMA), as well as technology transfers for the design and operation of an imaging satellite that Peru has acquired.

Productive diversification is an ambitious policy. It works hand-in-hand with the commercial integration policy that Peru has been promoting through such forums as the Pacific Alliance, Asia-Pacific Economic Cooperation (APEC), and the Trans-Pacific Partnership (TPP), to which Peru belongs. Our membership in



the TPP has given us automatic access to countries with which we had not had trade agreements in the past, including Australia, Brunei, Malaysia, New Zealand, and Vietnam.

I should also mention another fundamental component of Peruvian economic development—namely, our social policy. Its solid foundation and high economic returns have enabled us to continue to reduce poverty and extreme poverty in our country, along with chronic child malnutrition, even during the years that were challenging for our economies. We have been able to group our social programs into a solid State policy known as “Inclusion for Growth.” Through this policy we have been able to transform young people without skills into competitive entrepreneurs.

During my administration we created a Ministry for Development and Social Inclusion, with social programs that cover the entire life cycle of individuals. It starts with pregnant women, who are encouraged to take advantage of the prenatal health monitoring program, and continues with newborns and toddlers, providing comprehensive health coverage through the Integrated Health System (SIS). Unlike the private system, the SIS also covers mental health problems and a child care service through *Cuña Más*, an immediate impact program that is probably unique in Latin America.

In addition, in the first years of elementary school our students benefit from a nutrition program known as “*Qali Warma*” (‘Healthy Child’), while those in their final years of basic education can apply to the National Scholarship Program for support to continue technical and higher-level studies.

Young people of productive age can take advantage of job placement programs, while older adults living in poverty and extreme poverty are covered under a

non-contributory pension program known as “Pensión 65.”

I should also mention that one of the characteristics of these programs is that they are managed according to specialized technical, rather than political, criteria. This approach has made it possible to consolidate and expand these programs efficiently. Today, programs like “Pensión 65” and “Beca18” have even received ISO 9001 international quality certification.

Ladies and Gentlemen,

Now that global economies are facing new challenges that require worldwide efforts based on international cooperation now more than ever, meetings such as this one must take the lead in searching for channels of exchange and cooperation that will make it possible to overcome poverty and inequality.

I am confident that the presence of the distinguished speakers gathered here, whose valuable experiences will enrich the level of dialogue and discussion during these Annual Meetings, will set the standard for these meetings to produce fruitful outcomes for all.

Lima will provide us with this opportunity.

With this high hope, I extend to you my most cordial welcome to our country and hereby declare these meetings open.

Thank you.