



# INTEGRATED SDG INSIGHTS PERU

This initiative supports the articulation of national commitments to SDG transformation, towards accelerated SDG action in the second half of the 2030 Agenda.



# HOW TO READ THIS REPORT



Integrated SDG Insights provides an overview of a country's economic growth trajectory, highlighting potential conflicts between growth, environmental concerns, and societal well-being (referred to as the **SDG Moment**).



It builds from the foundation of national SDG progress through the lens of the 5Ps and uses machine learning to analyse national development ambition with an SDG lens (**SDG Trends & Priorities**).



Combined, these insights are mapped against SDG interlinkages to define policy choices that accelerate SDG progress, tailored to national context (**SDG Interlinkages**).



These policy choices are made against fiscal constraints and opportunities for stimulus to ensure choices translate to development impact and leave no one behind (**Finance & Stimulus**).

# SDG MOMENT: PERU

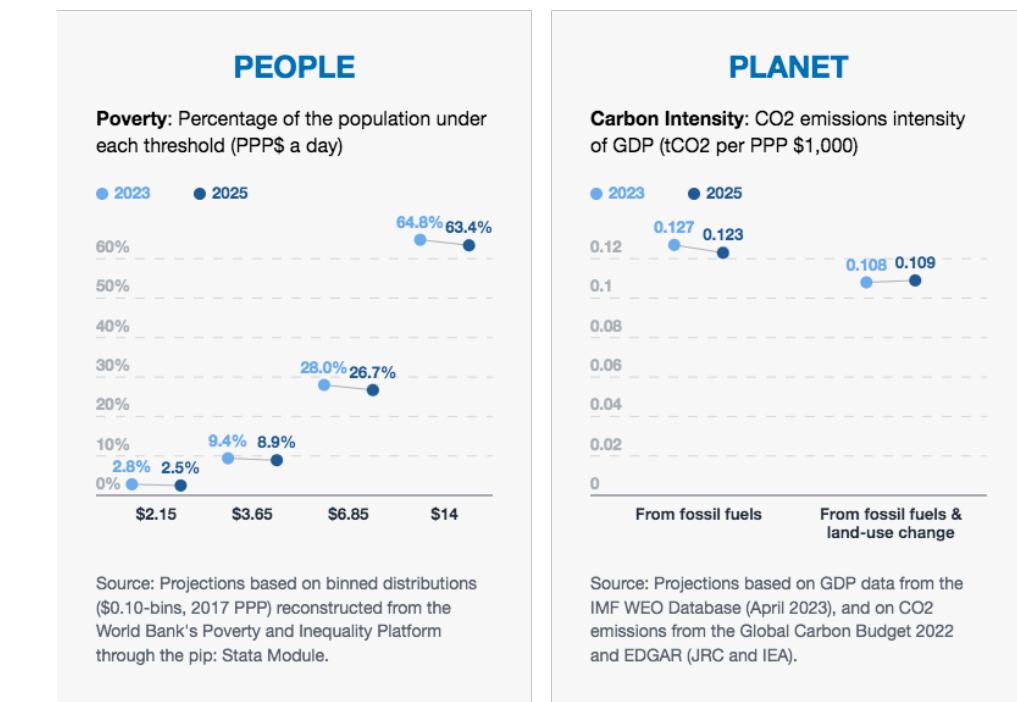
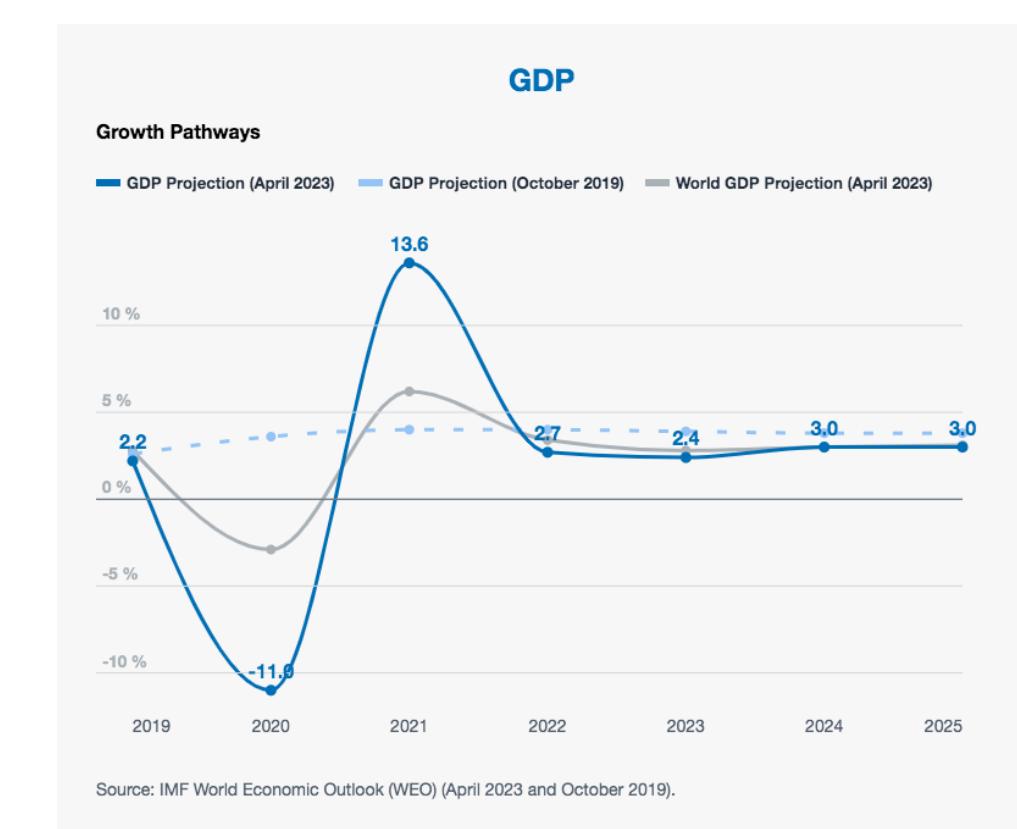
While economic growth is a key element in achieving the SDGs, many countries are intent on moving beyond growth as a yardstick for progress. In the short run, growth enables the SDGs; but in the long run, the SDGs aim to transform the pattern of growth itself.

Peru's pace of growth during the 2023-2025 cycle is expected to be one of moderate growth, falling below the country's pre-pandemic growth trajectory.<sup>1</sup> This is exacerbated by challenges characterized by high informality, low productivity and the difficulties faced in reducing poverty. Consequently, SDG policy space is limited, emphasizing the need to mitigate the effects of the downturn on the poorest and most vulnerable households and informal workers, while also investing in effective governance. Notably, the Peruvian debt/GDP is one of the lowest in the region and Peru boasts one of the largest ratios of international reserves/GDP.

This pace of economic growth is expected to be slightly less dependent on carbon emissions, as the country's fossil emissions intensity of GDP is expected to decline at an annual rate of 1.7%. When considering land-use change, the carbon intensity remains lower, but it is exhibiting an upward trend.<sup>2</sup> While the incidence of extreme poverty is expected to slightly decrease, significant distributional challenges remain, both in terms of stagnation in progress and relatively high levels when more demanding thresholds are applied.

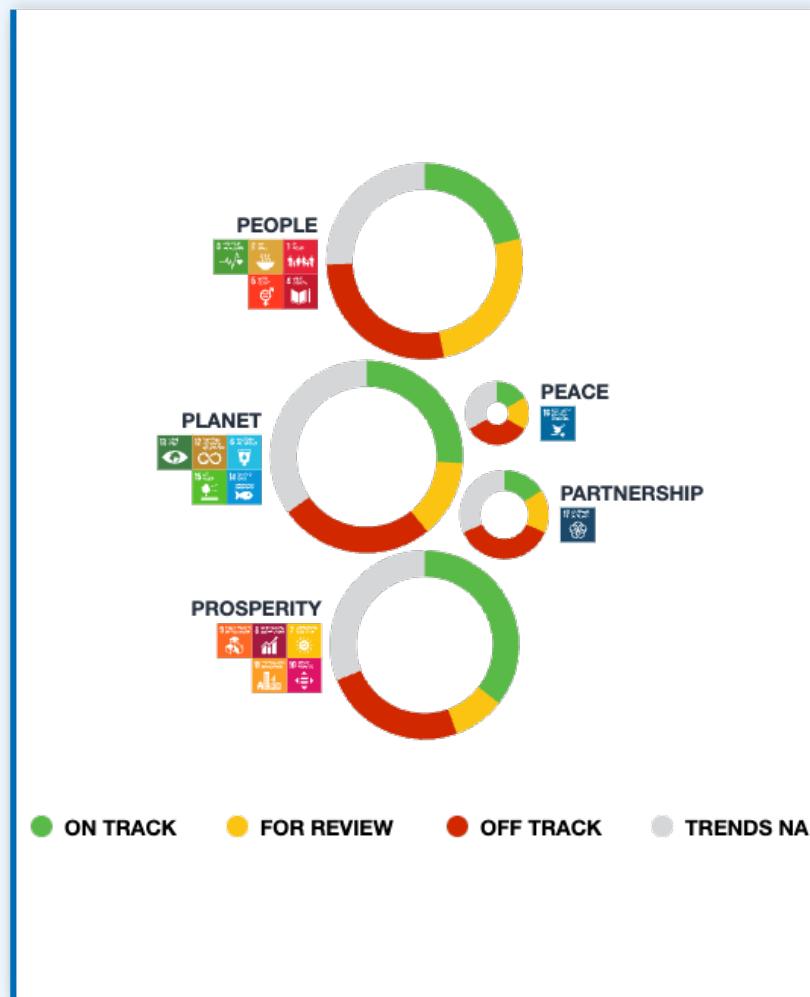
<sup>1</sup> The economic cycle is determined by adjusting the country's current GDP growth forecasts (April 2023) by their gap relative to the forecasts made before the pandemic and subsequent crises (October 2019). If the adjusted rates (not shown) are below 2%, the economy is considered in mitigation; it is coping if the adjusted rates range between 2%-4%, and it is in acceleration if they are above 4%.

<sup>2</sup> CO2 emissions intensity of GDP is computed as tonnes of CO2 per \$1,000 (2017 PPP).



# SDG TRENDS

Understanding how Peru performs against the SDG targets provides a baseline landscape against to build integrated SDG pathways. SDG progress tracking follows [UN Stats](#) standards and [methodology](#), and is aligned with country profiles.



# SDG PRIORITIES

Peru's national priorities are analysed using machine learning to reveal the most prominent SDGs referenced in national policy documents. This analysis uses a custom-built model for SDG classification. It considers 100k+ terms, including phrases and expressions.



## Key documents analyzed:

1. Políticas de Estado del Acuerdo Nacional
2. Informe de Análisis Prospectivo (2021-2022)
3. Visión del Perú al 2050
4. Política General de Gobierno 2023
5. Política Nacional de Productividad y Competitividad
6. Política Nacional de Desarrollo e Inclusión Social al 2030
7. Política Nacional de Desarrollo Industrial
8. Política Nacional de Empleo Decente
9. Política Nacional de Igualdad de Género

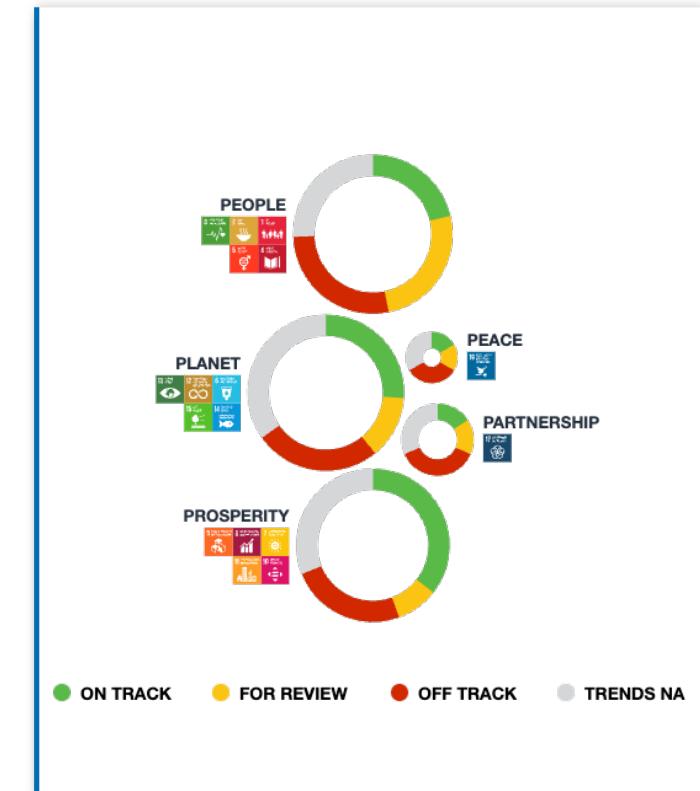
# SDG INTERLINKAGES

SDG interlinkages reveal how actions directed towards one SDG can impact others. Uncovering and understanding these interactions can help Peru to achieve the 2030 Agenda for Sustainable Development and navigate trade-offs.

Based on a global framework for interlinkages, Peru's SDG progress is colour-coded at the target level.

Building from national trends and priorities, the following integrated SDG pathways reflect policy choices with the most potential to accelerate the SDGs for Peru:

- Target 1.5: Build resilience to environmental, economic and social disasters
- Target 3.8: Achieve universal health coverage
- Target 8.5: Full employment and decent work with equal pay
- Target 9.2: Promote inclusive and sustainable industrialization
- Target 9.4: Upgrade all industries and infrastructures for sustainability
- Target 16.6: Develop effective, accountable and transparent institutions



## ACCELERATION PATHWAYS



# SDG INTERLINKAGES

**1.5: By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters**

Despite progress in some areas, poverty remains a significant issue in Peru, with 27.5% of the population living below the poverty line as of 2022. The challenges have been further compounded by the COVID-19 pandemic, which has disproportionately impacted the most vulnerable, including indigenous communities and people living in rural areas. The World Bank (2023) estimates that approximately 7 out of 10 Peruvians are either poor or vulnerable.

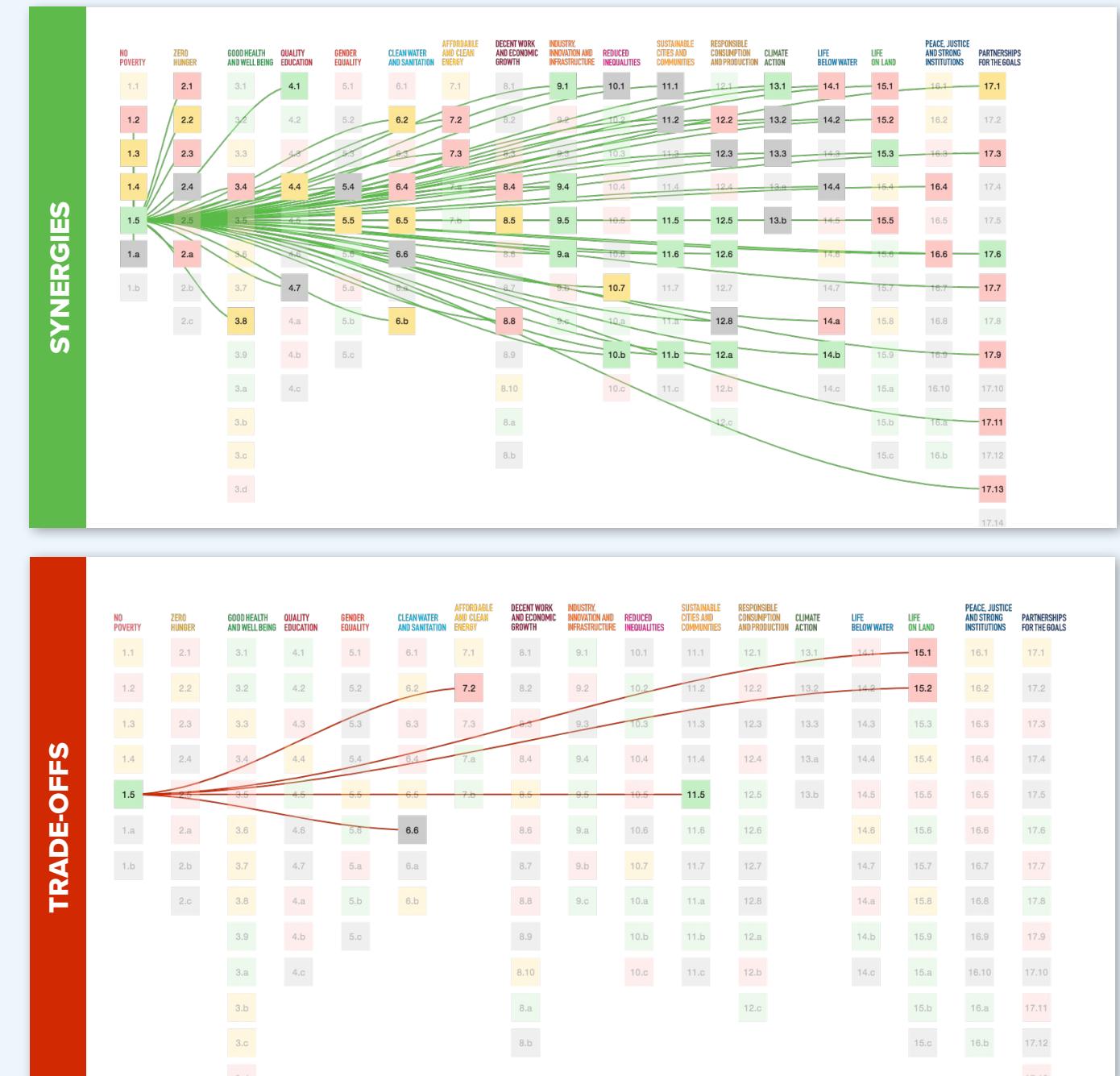
Recent climate-related events have highlighted the significant vulnerability and limited coping capacity of vulnerable populations in Peru. By prioritizing resilience-building efforts, Peru can address multiple challenges simultaneously - helping the poor and vulnerable while also positively impacting other priority areas, such as Industry, Innovation, infrastructure (SDG 9) and productivity through education and overall economic growth (SDGs 4 and 8).

● ON TRACK

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Explore the interlinkages at:

<https://data.undp.org/sdg-push-diagnostic/PER/synergies-and-tradeoffs>

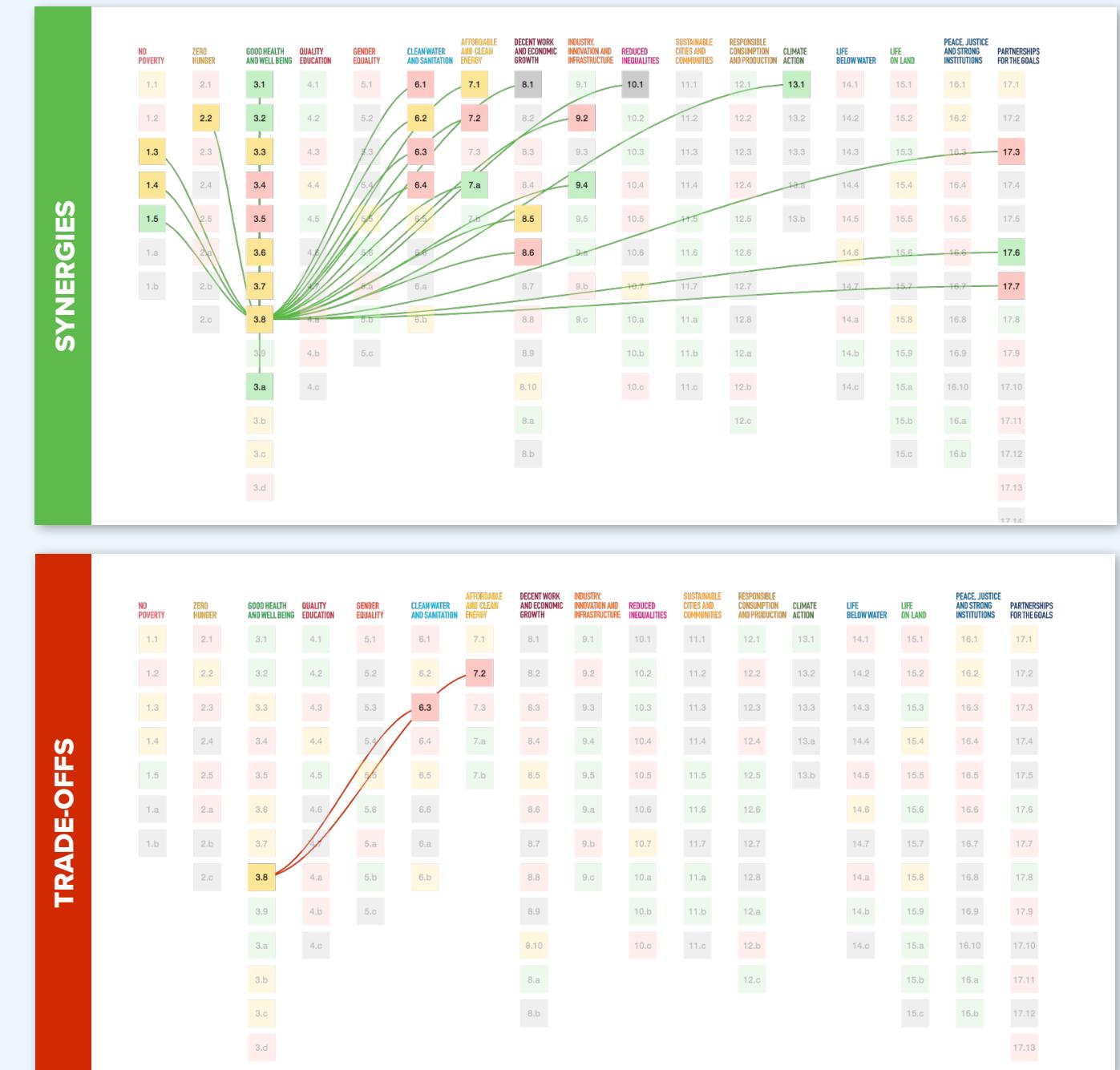
# SDG INTERLINKAGES

**3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all**

SDG 3 is a key priority in both Peru's 2021 National Agreement (Acuerdo Nacional) and national planning documents. Advancing towards SDG target 3.8, which focuses on achieving universal access to healthcare, has become increasingly crucial in the wake of the COVID-19. The pandemic emphasized the critical importance of health care access as a key driver for development, setting the foundations for implementing other SDGs, such as SDG 1, SDG 8 or SDG 10.

Investing in universal health care and ensuring access to quality and affordable health services can have far-reaching benefits. These include improved educational outcomes, higher productivity levels, reduced poverty and reduction of inequalities - all essential areas where Peru must make progress to reach the 2030 development agenda.

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# SDG INTERLINKAGES

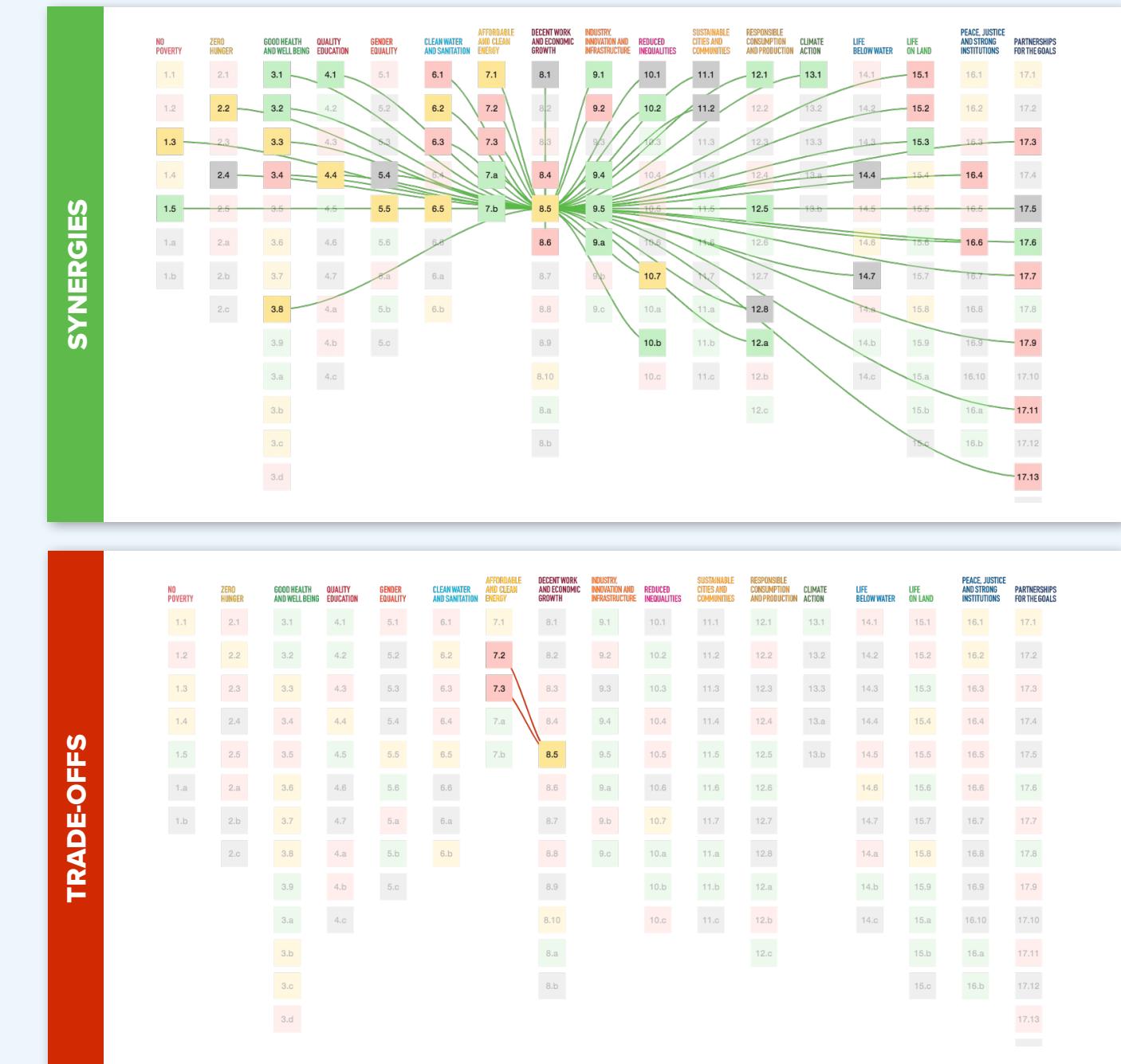
## 8.5: Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

As one of the LAC countries with the highest level of labour informality (above 78% according to the latest data), promoting decent work and productivity could have a positive impact on several areas of development for Peru, and play a key role in advancing many SDGs.

Through investments in initiatives to propel SDG 8.5, Peru can simultaneously address employment challenges, while also making progress towards closing gaps related to poverty, health, well-being and inequality target indicators - all development priority areas for the government.

Efforts to promote formal sectors of the economy could also increase the tax base while expanding coverage of social protection systems. Policies and reforms need to consider the behavioural aspects and incentives that workers and SMEs face when making decisions between the formal and informal sectors.

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# SDG INTERLINKAGES

**9.2: Promote inclusive and sustainable industrialization, and by 2030 raise significantly industry's share of employment and GDP in line with national circumstances, and double its share in LDCs**

Promoting inclusive and sustainable industrialization (SDG 9.2) is of significant importance for Peru, as it can increase the industry's contribution to employment and GDP, while also potentially reducing poverty (SDG 1.1 and 1.2). Similarly, supporting industries can positively benefit agricultural production, although it is important to acknowledge the possibility of a labour shortage in the sector as other industries develop.

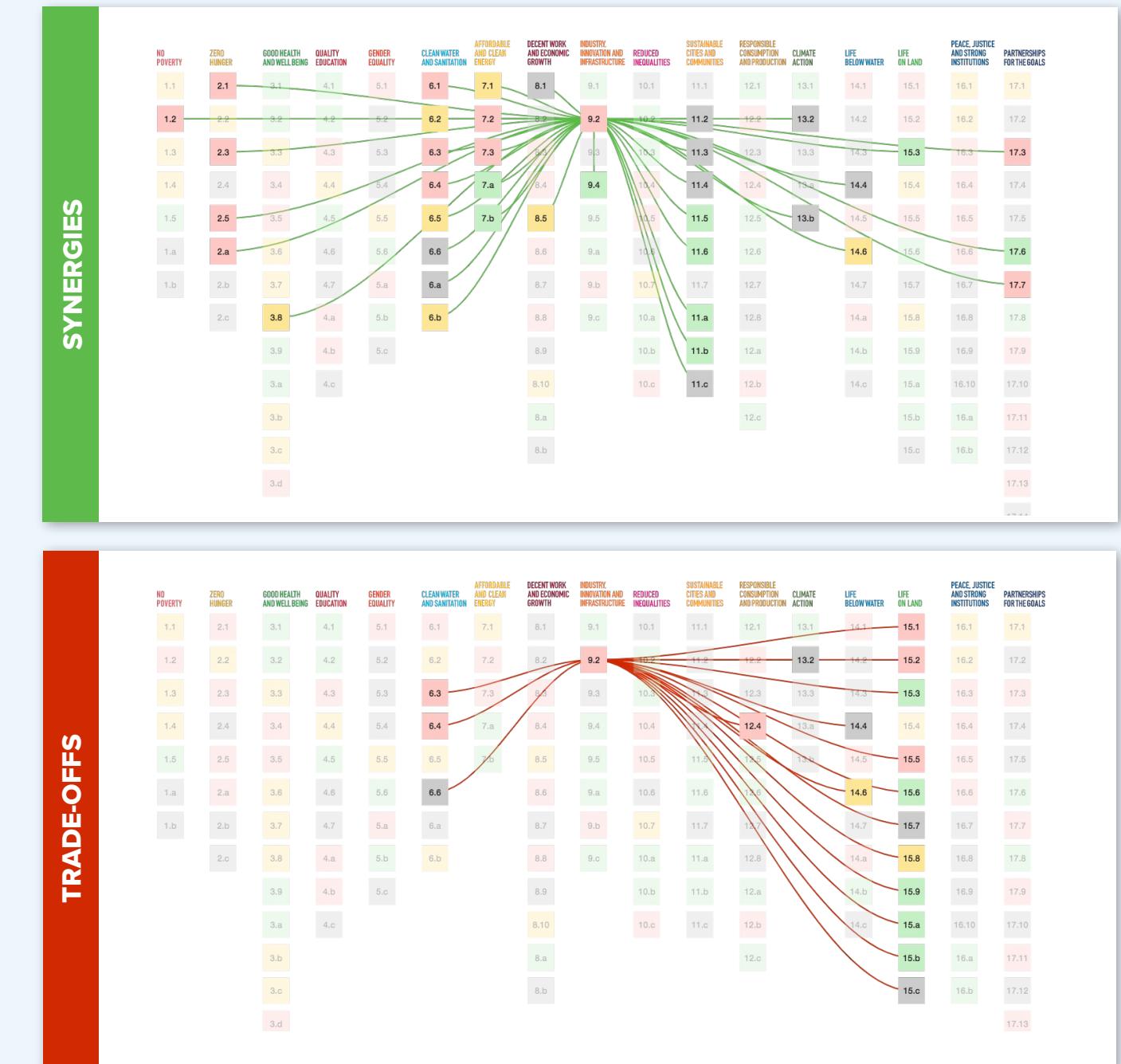
Conversely, new industries have the potential to absorb workers, a critical aspect of structural transformation required for effecting a positive impact on society as a whole. To ensure inclusivity, efforts should be focused on sectors that provide employment and training opportunities for impoverished communities thereby ensuring that no one is left behind

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Explore the interlinkages at:

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# SDG INTERLINKAGES

**9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action, in accordance with their respective capabilities**

Advancing industrialization and innovation is a key priority for the Government of Peru, as reflected in the National Policy for Industrial Development. Strategic infrastructure investments are planned to enhance value-chain efficiencies and leverage economies-of-scale across several sectors.

Progress towards indicator 9.4 could also have positive impacts on Clean Water and Sanitation (SDG 6) and Decent Work and Economic Growth (SDG 8). However, it is crucial to consider that investing in these areas may hinder advancements towards gender equality and the overall reduction of inequalities. These investments must take into account potential distributional effects across different segments of the population.

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Explore the interlinkages at:

<https://data.undp.org/sdg-push-diagnostic/PER/synergies-and-tradeoffs>

# SDG INTERLINKAGES

## 16.6: Develop effective, accountable and transparent institutions at all levels

Focusing on SDG 16 (peace, justice, and strong institutions), especially Target 16.6, can have a multiplier effect on various SDGs and targets in Peru, spanning key areas like decent work and economic growth.

To effectively reduce informality and ensure access to public services for vulnerable populations, investments in institutions should be accompanied by improved implementation capacity and citizens' engagement. Strengthening institutional capacity can also contribute to achieving targets related to zero hunger (2.2), affordable and clean energy (7.1 and 7.2) and inclusive and sustainable industrialization (9.2).

Furthermore, enhancing Peru's institutional efficiency will improve expenditure quality, thereby positively impacting productivity rates. Currently, there are over 2,300 paralyzed public works projects worth approximately US\$11.3 billion, with an estimated US\$7 billion in pending investments.

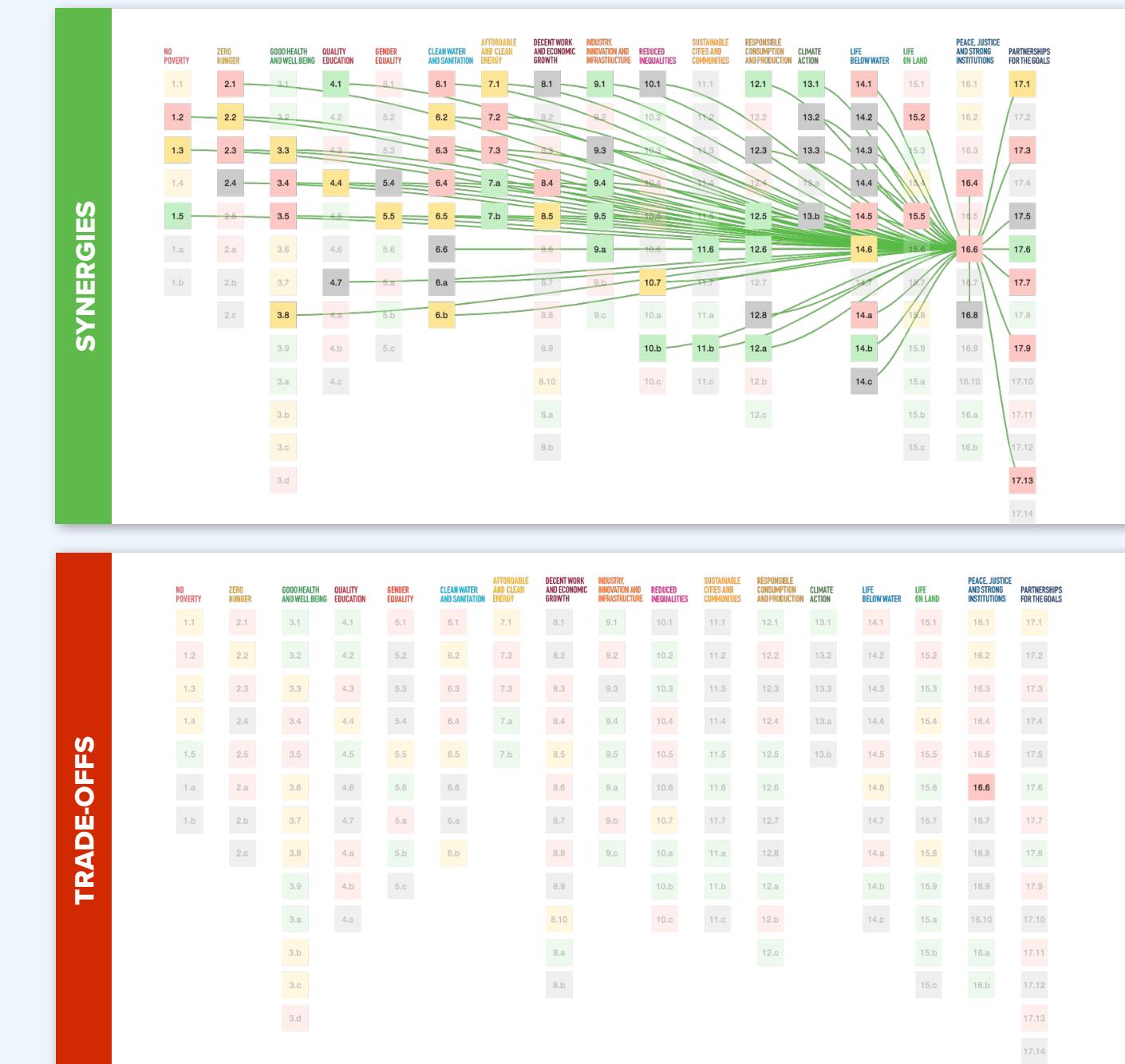
It is important to highlight that additional investments and initiatives need to be supported by comprehensive data collection. The absence of several target indicators in Peru hinders the effectiveness of the policy cycle.

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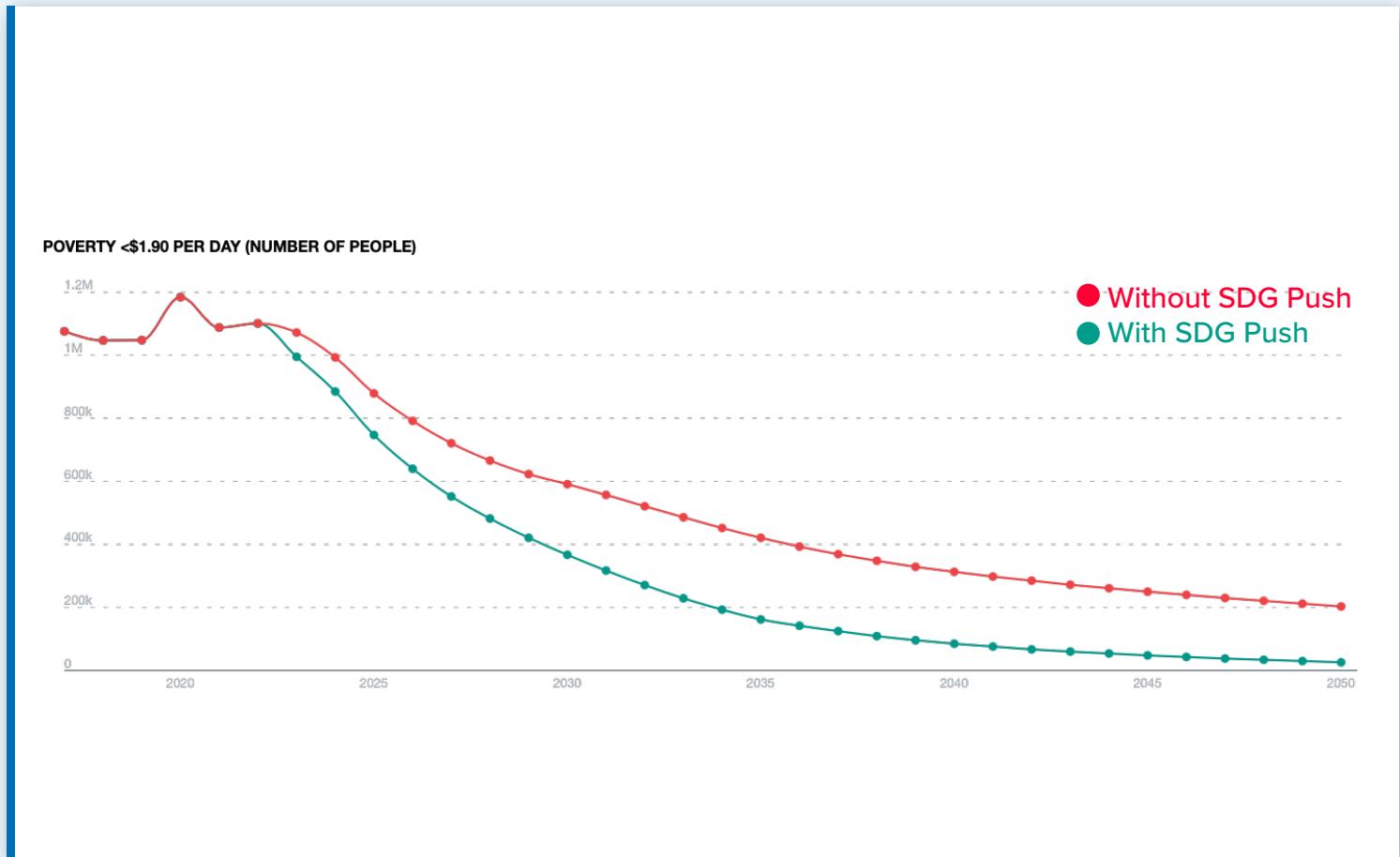
# FUTURES SCENARIOS

Achieving the SDGs is possible.

The ‘SDG Push’ is a futures scenario based on 48 integrated accelerators in the areas of Governance, Social Protection, Green Economy and Digital Disruption. It uses national data to explore the impact on human development by 2030 and by 2050 across key SDG indicators.

Incorporating ‘SDG Push’ accelerators into development interventions in Peru can reduce the number of people living in poverty over time.

People living in poverty	By 2030	By 2050
Without the SDG Push	590,000	200,000
With the SDG Push	370,000	26,000



Explore SDG Futures Scenarios at:

<https://data.undp.org/sdg-push-diagnostic/PER/future-scenarios>

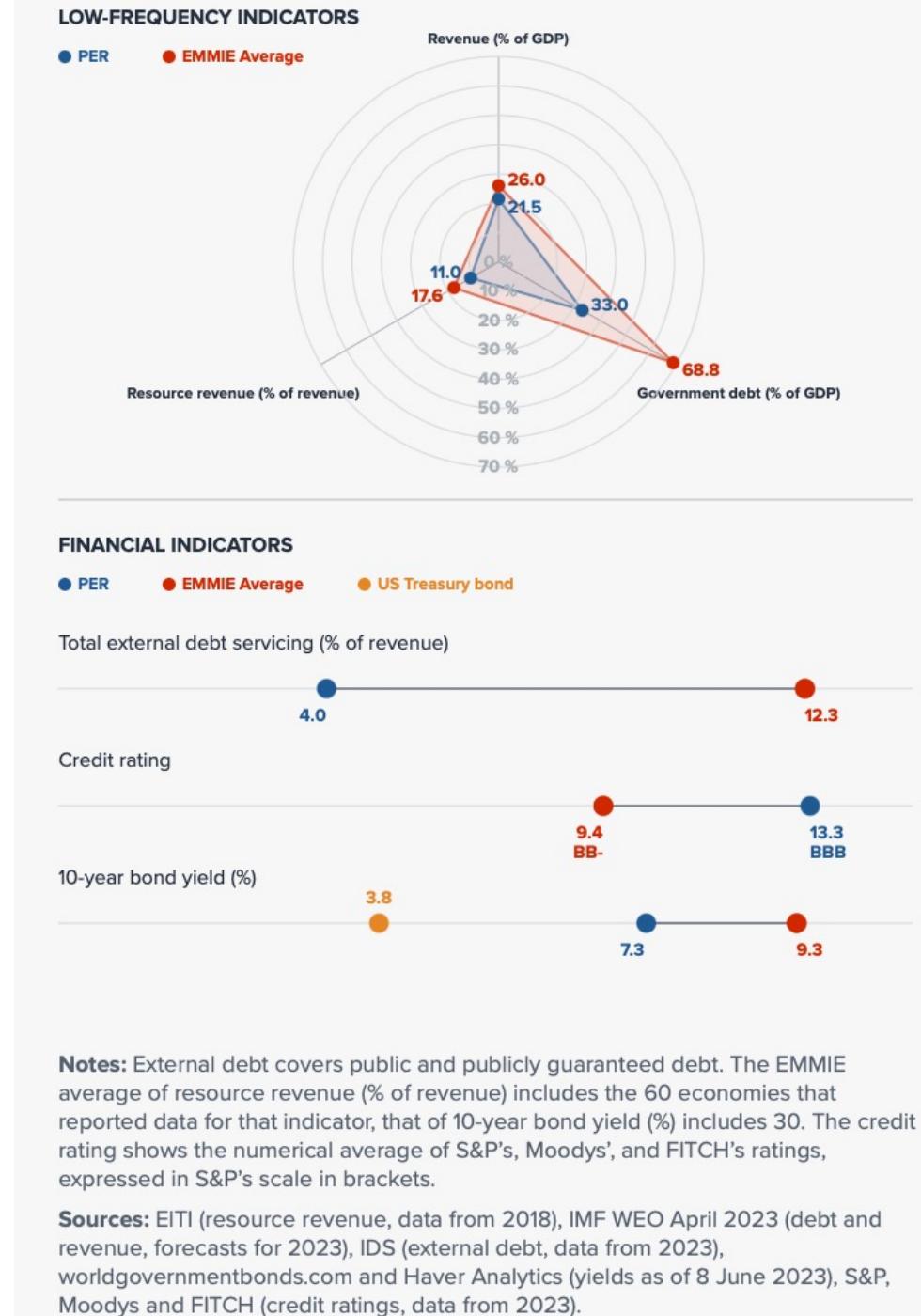
# FINANCE & STIMULUS

Many countries are facing reduced fiscal space, high debt levels, rising interest rates and downgrades on credit ratings. Fiscal and financial constraints tend to slow or even reverse SDG progress.

The radar diagram shows low frequency data points linked to tax revenue and debt as a proportion of GDP as well as the natural resource share of total revenue. The financial indicator graph shows higher frequency data on external debt servicing relative to revenue, the sovereign credit rating, and the 10-year bond yield.

Peru's government debt, expected at 33% of GDP in 2023, is significantly below the emerging market and middle-income economies (EMMIE) average of 68.8%. Revenue is 21.5% of GDP, which is 5.5 percentage points (pp) below the EMMIE group's 26%.

Expected 2023 external debt servicing is only about 4% of revenue compared to a group average of 12.3%. Despite credit rating downgrades since the onset of the global pandemic, Peru has maintained an investment grade rating and a significantly higher rating than the EMMIE average. The 10-year bond yield of 7.32% is lower by 2 pp compared to the EMMIE average and higher by 3.6 pp to a 10Y US Treasury bond.



# SDG STIMULUS

The UN Secretary General's SDG Stimulus Plan lays out a blueprint for action within the existing financial architecture. It includes:

- Providing liquidity to support recovery in the near term
- Enhancing debt relief for vulnerable countries
- Expanding development financing by MDBs
- Aligning financial flows with the SDGs and the Paris Agreement, according to country-level priorities and needs, for example through the roll-out of the UN Integrated National Financing Framework (INFFs).

Given the projected fiscal and financial constraints faced by Peru possible funding options for the investments derived from the identified interlinkages are:

- Tax and revenue reform
- Debt for SDGs
- Climate finance
- Blended and public-private finance
- SDG Aligned business environment and investment
- Accessing financial markets and insurance

## United Nations Secretary-General's SDG Stimulus to Deliver Agenda 2030

FEBRUARY 2023



# METHODOLOGY

Click [here](#) to view the Methodological Note for the Integrated SDG Insights



## SDG MOMENT

### Methodology

Assesses challenges and opportunities in national growth trajectories with insights on environmental sustainability and inclusiveness.

### Data Sources

Future trajectories to 2025 are based on IMF-WEO GDP projections, distributions of per capita income or consumption from the World Bank, and CO<sub>2</sub> emissions from the Global Carbon Budget 2022 and EDGAR (JRC and IEA).



## TRENDS & PRIORITIES

### Methodology

SDG trends tracks progress from 2015 to date for the 231 indicators. National priorities are analysed using machine learning to reveal the most prominent SDGs referenced in national policy documents.

### Data Source

Trends utilizes official [UN statistics](#) to assess [SDG progress](#), supplemented with national data when available. Priorities uses a custom-built model for SDG classification. The policy documents analyses are provided by Governments.



## INTERLINKAGES

### Methodology

Global target-level interlinkages are drawn from the [KnowSDGs Platform by European Commission](#). SDG interlinkages were retrieved through a structured literature review in Scopus and Google Scholar to tap both grey literature and peer-reviewed publications as a source of information.

### Data Source

The exercise globally considered a total of 454 documents published from 2015 to August 2022. ([Miola et al., 2019](#) updated in [2021-2022](#))



## FINANCE & STIMULUS

### Methodology

Provides insight into indicators of fiscal and financial stress with options (INFF) for stimulus and other means to accelerate progress.

### Data Source

Most recent resource data from UNU-WIDER GRD (between 2018 and 2021), debt and revenue from IMF WEO (between 2020 and forecasts for 2023), external debt from IDS (2023), yields from Haver Analytics (8 June 2023), credit ratings from S&P, Moodys and FITCH (2023), and DSA ratings from World Bank/IMF (31 May 2023).