

Taking Care of Things

By Mercedes Araoz

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At the beginning of the second year of (PPK) Pedro Pablo Kuczynski's administration, there are understandable expectations and worry about the economy.

PPK has explained that we have received a disorganized and paralyzed country, in addition to the unfortunate coincidence of two unexpected events whose impact complicated the investment and growth planning: The coastal effect of El Niño and the transnational corruption scandal Lava Jato. The consequences of these two situations will cost us 2% of our GNP's growth.

The President has also conducted a sincere review of successes and mistakes as an exercise to amend errors and to maximize what we did right. It is always easier to blame the climate or past corruption and not take care of our administration. That is not the case with this government; that would be simplistic and irresponsible. We also do not wish to only dwell on or investigate our ills. It is necessary to start implementing actions to address them based on realistic estimates. Let me explain some concrete actions.

Public and Private Investments

The healthy way of growing internal demand is to increase public and private investment. That is our priority. Private investments should increase from 5.8% to 10% and public investment to 20%. We will be relaunching public investments not only with high impact infrastructure projects, such as the Reconstruction with Changes program, but also looking at small and medium sized projects so anticipated and necessary in the interior of the country; projects involving water and sewage, health and education infrastructure, roads, rural power projects or improving police stations. To that effect, we have diverted resources from current expenditures – which were hampered by too many civil servants – to a bigger decentralized social investment.

Regarding private investments, our immediate goal is to stop the decreasing trend this year; in 2018, it should grow 20%. Last June the construction sector already changed this decreasing trend. Regarding Public Private Partnerships (PPP), ProInversión (*Translator's Note: the government's investment promotion agency*) already has a faster plan with the necessary mechanisms to ensure transparency, governance and policies against corruption. We already can see that some projects are underway: the Metro second line, the Jorge Chavez airport. The works for taxes is another mechanism that will propel the economy.

We also need to work on improving tax collection which will reduce tax evasion, improve supervision and contribute to reduce the informal economy.

Mining Activities

Nobody doubts that mining activities are a pillar of our economy. We are a mining country and we will continue to be so. After the Conga and Tía María cases, there is an insistent demand to unlock large scale mining projects. And the problem in Peru, rather than international metal prices, which are happily beginning to improve, is social conflicts. It is not adequate to just impose investments in communities affected by mining, but rather to generate trust and transparency from the investors to the communities within their area of extractive activities. The State has to be the great facilitator and booster of these investments.

I wish to illustrate an example in this regard. The Canadian company Bear Creek Mining and their project in Corani, Puno; an open pit mine where US\$700 million will be invested to become the largest silver producer in the country with thirteen million ounces per year. I have received in my office the delegates of the Chacaconiza and Quelcaya communities neighbouring this project and what they showed me gladly surprised me. Corani has peace and social license and community members will benefit not only from the canon (*Translator's Note: referring to the local's mining royalty*) or direct benefits from the company but, with Bear Creek's help, they have developed surprising technological initiatives, taking advantage of the few resources available at a place over 4,000 meters high.

They make smart clothing with alpaca fibres, silver yarns and electronic gadgets attached to them, bullet proof vests, Ichu sun blockers (*Translator's Note: Ichu is a type of grass that grows in the Sierras at high altitudes*) and energy drinks with wild plants among other incredible products. The Corani people have made this investment theirs. And they are only waiting for it to start. This model should be considered for all other projects in our portfolio such as Quellaveco, Michiquillay, Mina Justa; investments that we have proposed to take forward soon. These are 30 billion soles (*Translator's Note: sol or soles is the Peruvian currency*) with a multiplier effect in high altitude Andean regions. With the legislative decrees, we are going to put into action the Social Advance and facilitate formal mining by means of the mining fund.

None of this will be possible if we do not persist in policies of dialogue and agreements among the political forces to solve the people's daily problems. If we have a single force to deal with the citizens' lack of security, to generate decent employment, to formalize the informal economy in the country, to have a credible and honest justice system. I leave you with a phrase from PPK in his homage that we all placed with #UnaSolaFuerza (*Translator's Note: A Single Force*): "Peru lived its best hours in the worst moment". Let's not wait for the next natural disaster before working together.