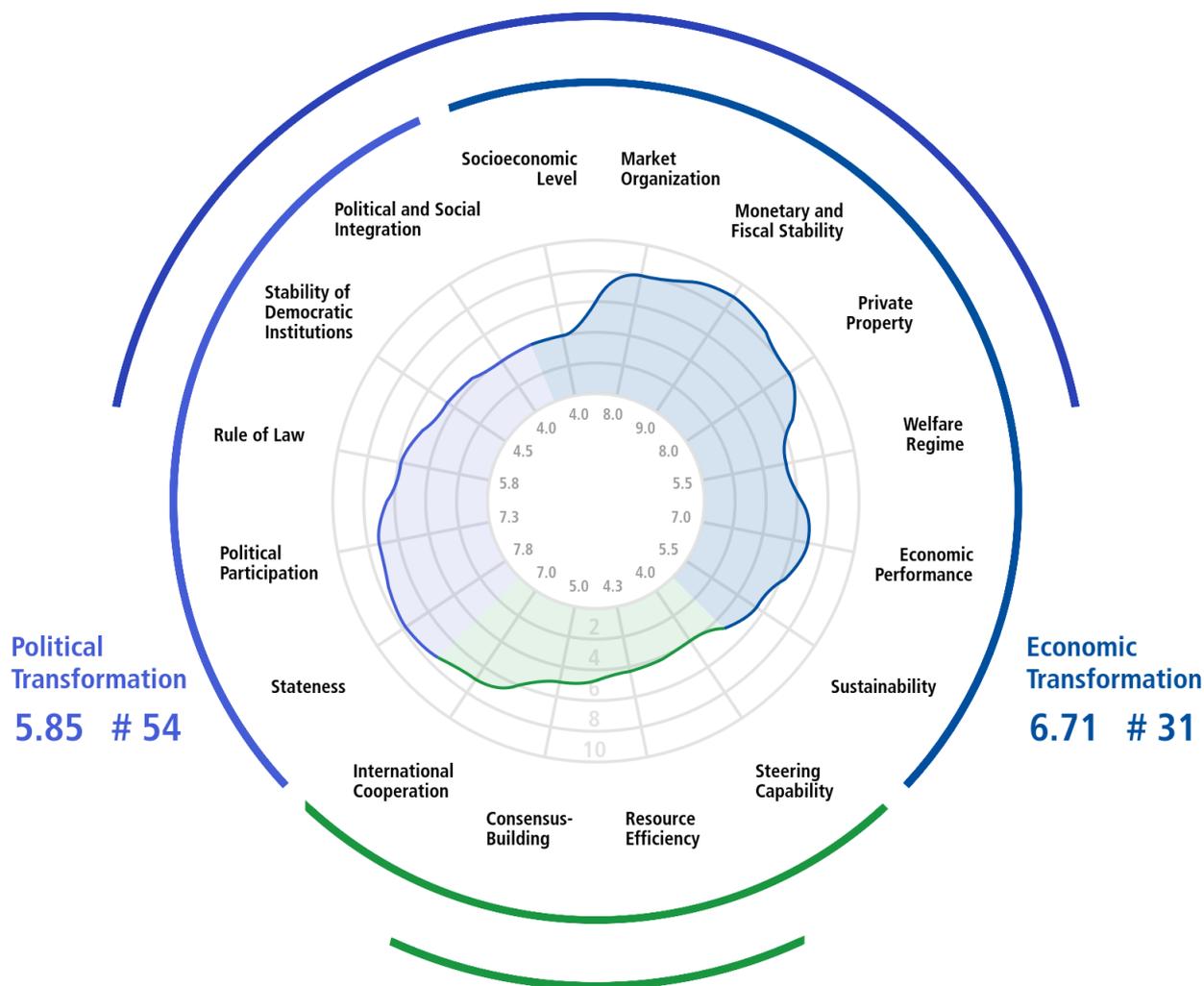


## Peru

### Status Index

**6.28 # 41**

on 1-10 scale out of 137



**Political Transformation**  
**5.85 # 54**

**Economic Transformation**  
**6.71 # 31**

### Governance Index

**4.45 # 77**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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## Contact

Bertelsmann Stiftung  
Carl-Bertelsmann-Strasse 256  
33111 Gütersloh  
Germany

### **Sabine Donner**

Phone +49 5241 81 81501  
[sabine.donner@bertelsmann-stiftung.de](mailto:sabine.donner@bertelsmann-stiftung.de)

### **Hauke Hartmann**

Phone +49 5241 81 81389  
[hauke.hartmann@bertelsmann-stiftung.de](mailto:hauke.hartmann@bertelsmann-stiftung.de)

### **Sebastian Plate**

Phone +49 5241 81 81263  
[sebastian.plate@bertelsmann-stiftung.de](mailto:sebastian.plate@bertelsmann-stiftung.de)

### **Sabine Steinkamp**

Phone +49 5241 81 81507  
[sabine.steinkamp@bertelsmann-stiftung.de](mailto:sabine.steinkamp@bertelsmann-stiftung.de)

**Key Indicators**

Population	M	<b>34.2</b>	HDI	<b>0.794</b>	GDP p.c., PPP \$	<b>17802</b>
Pop. growth <sup>1</sup>	% p.a.	<b>1.1</b>	HDI rank of 193	<b>79</b>	Gini Index	<b>40.1</b>
Life expectancy	years	<b>77.7</b>	UN Education Index	<b>0.753</b>	Poverty <sup>3</sup>	% <b>9.5</b>
Urban population	%	<b>79.1</b>	Gender inequality <sup>2</sup>	<b>0.340</b>	Aid per capita \$	<b>17.3</b>

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

In the period from February 2023 to January 2025, Peru's political landscape experienced major shifts, marked by the fragile survival of President Dina Boluarte's government. Initially unstable, Boluarte's administration faced periodic calls for her resignation and for early elections, but endured in a volatile environment shaped by public discontent and a hostile Congress.

Unexpectedly, the polarized standoff between left and right that had defined the presidency of Pedro Castillo (2021 – 2022) gave way, allowing a dominant Congress to sideline the weakened executive. A broad parliamentary majority, united by populist and conservative values, emerged as the central political force, fundamentally altering the balance of power.

This period marked a decisive break from the technocratic neoliberal consensus that had guided Peru since the early 2000s. While such a shift had begun to emerge under Castillo's presidency, it fully materialized under Boluarte. Driven by its new majority, Congress has prioritized legislative expansion and counter-reforms, turning away from the earlier reformist trajectory.

A symbolic moment in this reversal was the restoration of Alberto Fujimori's signature – removed in 2001 – to the 1993 constitution, signaling a retreat from post-authoritarian democratic ideals. The increasing influence of informal and illegal sectors, particularly in mining, has also shaped national politics, reversing prior regulatory efforts.

This new congressional dominance reflects deeper political realignments. The right has abandoned its liberal facade, embracing a more overtly conservative and populist agenda, while the left, once associated with progressive ideals, has likewise taken a more traditional and populist turn. Together, these forces have coalesced around economic populism, cultural conservatism and institutional resistance.

Congress' agenda has focused on three fronts: expanding its own prerogatives at the expense of the executive and judiciary, accommodating informal and illegal interests, and pushing back against judicial activism and systemic reforms. Programmatic representation has given way to factionalism and particularism, exacerbating legislative inefficiency and public distrust.

In sum, the Boluarte period has been defined by the rise of clientelist policies, conservative values and congressional supremacy, as well as the defense of informal sectors. These developments reflect a deepening crisis of representation and governance, further distancing citizens from the political system.

## History and Characteristics of Transformation

Peru has had a fully inclusive democratic regime only since 1980, following a transition from military rule (1968 – 1980). Yet subsequent administrations faced a crumbling state apparatus, hyperinflation and terrorism in the context of an inchoate party system. This party system collapsed during the presidency of Alberto Fujimori (1990 – 2000), who pioneered a regime model that is now known as competitive authoritarianism. The Fujimori government ended amid corruption scandals that forced his resignation and opened a process of democratic normalization, but it left a legacy of weak parties and institutions and a pervasive anti-party political culture.

Since 2001, successive governments under Alejandro Toledo, Alan García and Ollanta Humala benefited from a significant period of economic growth driven by the commodity price boom. However, the state remained fragile and deeply unequal, and Peru continued to suffer from weak political institutions, expressed in widespread political dissatisfaction. Yet from 2001 to 2016, political analysts were struck by the relative stability and continuity of neoliberal policies in Peru, even amid the region's "left turn," based on the relative hegemony of a neoliberal technocracy in the state.

By contrast, the period from 2016 to 2021 was marked by extreme political instability, leading to major changes in the behavior of political actors. On the political right, liberal and pro-market positions shifted toward conservative and populist stances, and acute polarization emerged between a conservative sector on the one hand and progressive and reformist positions on the other. This dynamic led to recurring confrontations between Pedro Pablo Kuczynski's presidency (2016 – 2018) and the Fujimorista majority in Congress, ultimately forcing the president to resign. It continued under his successor, Martín Vizcarra (2018 – 2020), who constitutionally dissolved the Fujimorista-controlled Congress and called for new elections. However, the new Congress impeached Vizcarra in 2020. The presidency was assumed by the president of Congress, Manuel Merino, but massive protests forced him to resign. The new president of Congress, Francisco Sagasti, then assumed the presidency, completing the Kuczynski presidential term in 2021.

Under Pedro Castillo's (2021 – 2022) presidency, political instability reached unprecedented levels. The period was marked by corruption scandals and ineffective governance, culminating in a failed self-coup attempt that led to his removal from office. Vice President Dina Boluarte assumed the presidency in December 2022. This is how Peru ended up with six presidents in six years.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

While the state officially holds a monopoly on the use of force, this authority faces persistent challenges, especially in crime-affected regions where violence continues to escalate. This can be seen in the country's high rates of homicide and extortion, as well as in other illegal operations (particularly illicit mining). Criminal groups have expanded their tactics beyond direct violence to include political influence, either by financing candidates or by participating directly in elections. Peru is struggling to establish full control, with unresolved issues such as coca cultivation in the Valley of the Apurímac, Ene and Mantaro Rivers (VRAEM) region exacerbating security threats.

Illegal mining and organized crime have surged over the past two years. Programs such as the Special Register for Formalization (Reinfo) have unintentionally strengthened illegal miners' grip on regions such as Pataz-La Libertad. Meanwhile, urban areas face rising threats from extortion and contract killings (sicariato), endangering public safety in markets, transit systems and neighborhoods.

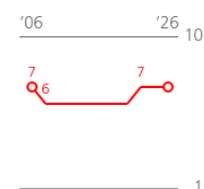
Despite its declaration of states of emergency in high-risk zones, the government has failed to curb organized crime or address the root causes. Leadership instability has exacerbated the problem, hindering the development of coherent, long-term solutions.

Peru is a multiethnic nation with diverse regions. Its population includes Indigenous, black, white and Asian groups, and it is mostly mestizo. Unlike Bolivia or Ecuador, where ethnic diversity drives politics, Peru has not historically politicized the issue of citizenship. Despite its varied Indigenous groups, ethnicity remains a minor political factor in Peru. However, state identity is complex and contested, reflecting deep historical divisions and ongoing ethnic and regional inequalities. The constitution defines Peru as a democratic, inclusive state, but in reality the country is fragmented, with significant gaps between the state and its citizens, especially in

Question  
Score

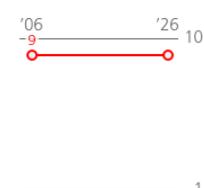
Monopoly on the  
use of force

7



State identity

9



marginalized rural and majority-Indigenous areas. While citizenship rights are formally universal, enforcement varies. Indigenous groups have gained some representation in Congress and other bodies.

The state continues to face significant challenges integrating its diverse populations into a cohesive national identity. Indigenous and Afro-Peruvian communities, alongside populations in the Amazon and Andean regions, frequently feel excluded from political decision-making and economic opportunities. This sense of exclusion is exacerbated by the limited presence of state institutions in these regions, which further perpetuates mistrust and alienation. These disparities underscore the ongoing challenge of bridging the gap between the formal principles of inclusion enshrined in the constitution and the lived realities of Peru's most vulnerable populations.

The election of Pedro Castillo and the social unrest of 2022 – 2023 brought these divisions to the forefront. Reports from Amnesty International highlighted “lethal racism” in the way that authorities, police and military forces responded to protests concentrated in the southern Andean areas. These characterizations underscore the deep-seated societal cleavages that divide the country. However, despite these divisions, the idea of the nation-state itself is not fundamentally questioned. Even amid the turmoil, demands from marginalized groups remain focused on recognition, inclusion and integration within the broader framework of the Peruvian state.

The state and its legal order are largely secular. The Catholic Church wields influence within some political topic areas such as abortion and same-sex marriage, but there is no clear, widespread interference. This influence stems from the Catholic identity of the majority of Peruvians, who hold relatively conservative values.

Religious groups in Peru primarily influence politics informally, though some leaders today serve as elected officials or seek to mobilize civil society. Historically tied to the Catholic Church, the state has seen its relationship cool in parallel with the rise of other faiths and debates over religion's role in public life. These groups increasingly advocate through institutional channels, such as Congress, and collaborate across faith lines. Nonetheless, religious interests face challenges from feminist and LGBTQ+ mobilization, which, while still present, has diminished compared with previous years.

Conservative groups tied to evangelical churches have grown more influential, gaining new allies after earlier successes. Although conservative values are typically associated with the far right, the Congress elected in 2021 showed that leftist factions have also adopted them, a trend that persists today and has proven particularly influential in shaping education policy. Meanwhile, religious institutions within civil society have constructively criticized authoritarian stances by both the government and Congress, thereby proving their capacity to shape public debates.

No interference of religious dogmas

9



1

In October 2024, Carlos Castillo, a progressive figure within the Catholic Church and former archbishop of Lima, was elevated to the rank of cardinal. His appointment signals a notable shift toward more progressive stances within some segments of the church, marking a departure from its traditionally conservative image. Despite this shift, the broader role of religious institutions in shaping societal debates remains significant. Their integration into civil society allows them to exert substantial influence on public discourse, particularly on issues that align with their moral and ethical principles.

The state's basic administrative infrastructure extends across most of Peru's territory, but its functioning remains significantly hindered by systemic shortcomings. These include limited bureaucratic capacity, pervasive corruption and an inability to adequately address the needs of the poorest populations. The weak presence of central government institutions outside Lima and the coastal regions has long been a major obstacle to the country's political and economic development. A notable example of the state's expanded yet fragile scope is the decentralization process initiated in 2002 to transfer decision-making authority to regional and local governments. However, decentralization has inadvertently become a source of political instability, fragmenting the political landscape and opening the political sphere to informal and illegal actors that have an important presence in some regions.

While some government sectors, such as the Ministry of Economy and Finance, have historically performed better because of their political significance and relatively autonomous technocratic leadership, these "islands of efficiency" have lost influence in recent years, particularly after the COVID-19 pandemic and the 2021 elections. The pandemic also exposed the precarious state of essential public services, highlighting critical shortcomings in the health care (for instance with regard to public hospital services and oxygen supply) and education sectors.

According to the latest data, 78.5% of Peru's population has access to at least basic sanitation facilities, while 94.8% has access to a basic water source. Although this represents some improvement, Peru remains among the countries with the lowest levels of access to basic infrastructure services in South America. Approximately 52% of the population has access to a safely managed water source, and 57.7% of the population has access to safely managed sanitation. Meanwhile, while electricity was once nearly universally available, with 99.3% of the population having access to a connection, the share with access has since decreased slightly to 96.2%, reflecting ongoing challenges in extending reliable infrastructure to remote and underserved regions.

Basic administrative issues persist or have worsened. President Boluarte, like Pedro Castillo, has appointed officials through political deals and patronage, undermining the effectiveness of public policy. Instability within the Ministry of the Interior – with ministers retained despite criticism because of presidential ties – exemplifies this. The Ministry of Development and Social Inclusion (MIDIS) and programs such as Qali Warma have also declined, signaling a broader deterioration in governance and service delivery.



## 2 | Political Participation

Multiparty elections in Peru are generally held regularly, conducted properly and accepted as the means of filling political positions. The National Office for Electoral Processes (ONPE), the National Jury of Elections (JNE), and the National Registry of Identification and Civil Status (RENIEC) are responsible for executing and monitoring electoral processes. These institutions have traditionally been regarded as reliable and among the best-performing state organizations.

In recent years, electoral institutions in Peru have faced growing challenges, particularly from an increasingly conservative Congress. Some congressional sectors have promoted the narrative that the 2021 elections were fraudulent, despite a lack of evidence. Congress attempted to remove Piero Corvetto, head of the ONPE, even though he had been appointed through a transparent public selection by the National Board of Justice (JNJ). This move was part of a broader conflict with the JNJ, which oversees appointments to key electoral bodies. The attempt failed, and the JNJ reinstated Corvetto.

However, tensions persist between Congress and the JNJ, and between Congress and electoral authorities such as Corvetto and former JNE president Jorge Salas Arenas, reflecting a politically charged environment. In November 2024, the JNE underwent a leadership change when Supreme Court justice Roberto Burneo was elected president, succeeding Salas Arenas. Because Burneo is relatively unknown, his appointment adds uncertainty to Peru's electoral landscape, especially amid Congress' ongoing hostility toward electoral institutions.

Despite these challenges, the reinstatement of Piero Corvetto and the recent appointment of Roberto Burneo provide some degree of institutional continuity. However, the electoral process leading up to the next elections is expected to be highly contentious and chaotic. While electoral reforms implemented since 2019 aimed to make elections more orderly, many have been dismantled without being replaced by effective alternatives. The result is a fragmented and disorganized system, compounded by an overwhelming number of registered and pending political parties – 39 registered as of the close of the review period, and 30 more in the process of registration. This legislative and administrative disarray will significantly complicate the upcoming elections, which will also introduce the selection of senators and deputies for the first time since the 1990s, replacing the current unicameral elected body.

Free and fair elections

8



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In principle, elected political representatives in Peru have generally exercised relatively effective power to govern, despite the state's weakness and vulnerability to pressure from powerful interest groups, including traditional veto powers such as the armed forces, landowners and business groups. At the same time, the lack of government legitimacy forces the authorities to yield to occasional pressure from interest groups and protest actions by popular sectors. For example, the business sector has historically acted as a strong pressure group, influencing earlier governments to maintain a market-oriented approach to economic policy. Meanwhile, the state remains responsive to pressure from other interest groups and social organizations, including Indigenous populations, socioenvironmental organizations and peasant movements, which have proven able to mobilize effectively for specific social causes. In Peru, the critical issue is not necessarily the strength of veto groups themselves but the state's political weakness and lack of legitimacy.

In recent years, Peru's democratically elected leaders have struggled to govern effectively, as reflected in the country having had six presidents over the course of the 2017 – 2023 period. When Pedro Castillo took office on July 28, 2021, he faced an obstructive Congress. His supporters accused Congress of undermining his authority through frequent interpellations and ministerial censures, while opposition lawmakers repeatedly resorted to the extreme measure of impeachment.

However, Castillo's weak leadership also stemmed from internal mismanagement – he appointed at least five prime ministers and about 80 ministers in just 18 months. Despite some congressional backing, his attempt to stage a coup d'état in response to a third impeachment effort ultimately cost him support and led to his removal from office.

Under Dina Boluarte, the power imbalance has persisted, with Congress retaining the upper hand. Like Castillo, Boluarte has faced the constant threat of impeachment, but her administration has adopted a conciliatory approach. This has enabled a congressional majority to coalesce around particularistic interests, further weakening executive authority and amplifying the influence of a legislature driven by private and factional agendas – ultimately undermining the state's ability to address urgent national issues.

The Peruvian constitution guarantees the right to political organization, granting independent political and civic groups the freedom to associate and assemble. Generally, the state respects these rights, allowing numerous civil society organizations to operate without interference. However, the persistence of social conflicts and political protests – particularly at the local level – and the government's increasingly conservative nature have prompted authorities to impose restrictions. This has often resulted in excessive use of force by police and instances of abuse during protests.

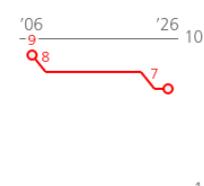
Effective power to govern

7



Association / assembly rights

7



While ethnic divisions do not fundamentally obstruct associational dynamics, geographic and social marginalization continues to create barriers for Indigenous populations, particularly in rural areas. In regions such as Alto Huallaga and the VRAEM, constitutional rights have been further restricted by the state’s frequent emergency declarations. These measures legally limit the local population’s rights to association and assembly. Human rights organizations have also documented numerous cases of arbitrary arrests at demonstrations, highlighting systemic issues in law enforcement practices.

Since 2021, social unrest has surged in Peru, especially in the south. The Ombudsman’s Office reported 202 protests in 2021 and 221 in 2022 – the highest such figure since 2013. Although the absolute number of protests declined in 2023 and 2024, those that took place grew more violent and confrontational. The ousting of Pedro Castillo in December 2022 sparked more intense demonstrations in the southern and central regions, where citizens questioned the legitimacy both of President Boluarte and Congress.

These protests were often met with excessive force because of poor police training and a lack of clear political leadership. More than 50 deaths and hundreds of injuries have been reported. Protesters have been stigmatized by officials, with rhetoric framing them as “terrorists” or “traitors,” as seen during the Asia-Pacific Economic Cooperation (APEC) forum summit in November 2024. Meanwhile, investigations into protest-related deaths have stalled, fueling a sense of impunity and deepening mistrust in state institutions.

In November 2024, President Boluarte proposed expanding legal protections for security forces. Under the plan, police and military personnel who use force would be tried in military courts, and any investigation would require prior inspection reports. Although the proposal was framed as a move to improve operational efficiency, critics argue that it prioritizes repression over civil liberties. Congress approved the proposal in its first vote, reinforcing a government stance that focuses more on controlling dissent than on addressing the root causes of unrest.

Freedom of expression in Peru is largely unrestricted, with little political interference or state censorship. However, media bias and the spread of false, sensationalized news significantly undermine the public’s ability to access objective information. The 2021 elections highlighted this issue, as major media outlets openly favored right-wing candidate Keiko Fujimori over leftist Pedro Castillo, resulting in the dismissal of journalists who demanded impartiality. At the same time, the advance of radical and extremist conservative forces has reduced political diversity within the mainstream media and poses growing threats to critical and independent journalism. Although the right to access public information has been legally protected since 2003 and procedures standardized in 2020, the Peruvian Press Council (CPP) notes a persistent “culture of secrecy” within state institutions.

Freedom of expression

7



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The structure of the media system – both electronic and print media – varies at national and local levels, with radio the most widely consumed medium locally. Public and private media are largely free of government influence, with private media dominating the media landscape.

In recent years, Peru’s media landscape has become increasingly concentrated, with a few powerful conglomerates dominating public discourse and advancing their own economic interests through agenda-setting. In contrast, some alternative media – particularly on social platforms – have sought to report with greater impartiality and professionalism.

Mainstream media have contributed to political polarization through sensationalism, defamatory content and the dissemination of fake news, thereby undermining the quality of public debate. Journalists and civil society organizations have also faced harassment, particularly from radical groups such as La Resistencia, with tacit support from some members of Congress. This growing hostility toward critical journalism is reflected in the decline of Peru’s performance in Reporters Without Borders’ World Press Freedom Index, from a ranking of 110th place in 2023 to 125th in 2024.

In response, independent journalists increasingly are turning to alternative platforms such as social media and small outlets. While these platforms offer space for dissenting voices, they struggle to counter the influence of dominant conservative media. The spread of misinformation, ongoing harassment and shrinking space for independent reporting underscore the urgent need to protect press freedom and restore balanced public discourse.

### 3 | Rule of Law

The separation of powers among the executive, legislative and judicial branches in Peru is established by the constitution and complemented by a Constitutional Court (TC) and several autonomous electoral agencies. However, this separation is in practice shaped by administrative and political dynamics that stem from the weak institutionalization of Peru’s political system. In recent years, the deterioration of the separation of powers in Peru has been severe.

In previous BTI editions, the main concern was not the formal separation of powers itself but rather the extreme conflict between the executive and legislative branches. This conflict, which began in 2016, led to the resignation of President Pedro Pablo Kuczynski (2018), the impeachment of President Martín Vizcarra (2020) and the attempted coup d’état by President Pedro Castillo (2022). Under Dina Boluarte’s government, however, this dynamic has shifted significantly as the position of the executive has weakened.

Separation of powers

5



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In recent years, Congress has legislated extensively to consolidate its power relative to the executive and judicial branches, further strengthening what can be called the “parliamentarization” of political power. For example, in November 2024, Congress approved amendments to the Code of Constitutional Procedure under Law 31307. This law restricts access to the TC for matters such as impeachment, presidential vacancy, and political or constitutional pretrials, effectively placing these issues outside judicial oversight. These changes reinforce congressional prerogatives while limiting checks on its authority.

Congress has reached a broad consensus on key appointments, including appointments to the Constitutional Court, the National Board of Justice (JNJ) and the Ombudsman’s Office – an uncommon level of agreement that now reflects a shared anti-reformist, conservative orientation. These appointments have contributed to a growing concentration of power in the legislature, sidelining both the executive and the judiciary.

The Constitutional Court (TC), once a mediator in executive-legislative disputes, has assumed a narrower role. In February 2022, it upheld the constitutionality of Law 31355, which restricts the executive’s use of the confidence motion and further strengthens congressional authority. In May 2022, Congress appointed new TC members aligned with its conservative agenda, reflecting a bipartisan consensus between left- and right-wing factions favoring centralized legislative control.

The judiciary in Peru operates as a separate branch of government and maintains relative independence. In recent years, however, its decisions have become increasingly politicized, and its autonomy has been weakened by a congressional coalition intent on expanding legislative power at the expense of the executive and the judiciary.

Levels of public trust in the judiciary remain extremely low, with its approval ratings among the worst of any democratic institution in Peru. Under Supreme Court President Javier Arévalo Vela (January 2023 – January 2025), the judiciary saw little improvement with regard to management, procedures or responsiveness to citizens. His successor, Janet Tello Gilardi, assumed the position in 2025 amid mounting institutional challenges.

The judiciary continues to struggle with systemic issues including widespread corruption; inefficiency; limited reach; insufficient resources; and a rigid, hierarchical and conservative culture. Arbitrary hiring and promotion practices further undermine its credibility. Many citizens view the judicial system as expensive, unreliable and corrupt, often turning instead to informal mechanisms such as arbitration through chambers of commerce, though results have been mixed.

Since 2016, particularly in the wake of Lava Jato (Operation Car Wash) and other corruption scandals, the judiciary has assumed a more prominent political role as numerous political figures have faced legal proceedings. This increased visibility has made it a target for congressional interference. Since 2021 – and more intensively under Boluarte’s administration – the judiciary has faced sustained legislative pressure that threatens its independence.

Independent  
judiciary

6

'06 '26 10

6

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Law 32182, for example, penalizes judges and prosecutors for decisions made when exercising legal discretion, weakening career protections and fostering a climate of fear that discourages independent rulings. In October 2024, Congress approved – in a first vote – a bill to sanction judges and prosecutors who release individuals held in preliminary detention, further escalating legislative control over the justice system. These efforts reflect a broader pattern of congressional hostility toward judicial oversight, undermining accountability and checks on legislative power.

Despite these pressures, the judiciary has shown resilience. Judges and prosecutors have mobilized to protest legislative overreach and defend judicial independence. Still, the cumulative impact of these measures poses a serious threat to the rule of law and signals a dangerous erosion of Peru’s institutional balance. The judiciary’s ongoing struggle underscores its crucial role in upholding democratic governance amid rising authoritarian tendencies.

Since the Fujimori era, corruption has become a highly sensitive issue for the Peruvian public; however, despite the development of legal norms, procedures and institutions to combat corruption, and despite many prominent political figures having been accused and prosecuted by the judicial system in recent years, impartial prosecution and strict penalties for misconduct in public office remain uncommon in Peruvian politics.

Hundreds of corrupt officials have been investigated. Some have been successfully prosecuted under existing laws, but many evade accountability through political, legal or procedural loopholes. These challenges are particularly pronounced at the subnational level, where corruption cases are frequently uncovered. The current system struggles to prevent corruption effectively, even as it allows the prosecution of the most egregious cases. There are pockets of efficiency and willingness to fight corruption in some “islands” of the judicial system, but they operate within a very weak institutional context and an adverse political environment. Moreover, the institutions tasked with monitoring and prosecuting corruption have suffered a significant loss of legitimacy, as even high-ranking officials within these agencies have faced investigations and prosecutions.

Public perception holds that many high-ranking officials who commit serious acts of corruption go unpunished. The Lava Jato scandal is emblematic of this: former presidents Alejandro Toledo, Alan García, Ollanta Humala, Pedro Pablo Kuczynski and Martín Vizcarra, along with political leader Keiko Fujimori, are under investigation for alleged kickbacks and illegal campaign funding from Brazilian construction company Odebrecht. However, most of these investigations have stagnated for years.

Efforts to prosecute or penalize public officials who abuse their power are hampered by ongoing conflicts between Congress and other institutions. A key flashpoint has been Congress’ attempts to weaken the National Board of Justice (JNJ). In 2023,

Prosecution of  
office abuse

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'06 \_\_\_\_\_ '26 10

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Congress sought to remove JNJ members Aldo Vásquez and Inés Tello, partly in response to the JNJ's investigation into Attorney General Patricia Benavides, who faces allegations of serious misconduct. The members were later reinstated. Benavides allegedly negotiated with legislators to secure the disqualification of her predecessor, Zoraida Ávalos, who was barred from public office for five years by Congress in 2023. After the JNJ suspended Benavides, Congress retaliated by targeting the board's leadership, escalating institutional tensions and further undermining anti-corruption efforts.

Civil rights and nondiscrimination are enshrined in the constitution. The state respects civil rights in principle but has failed to strengthen them and occasionally does not adequately protect them. Due to the state's limited capacity, particularly in the judiciary, civil rights are violated in some parts of the country, or citizens are discouraged from asserting their rights. This results in what is known as "low-intensity citizenship." Discrimination against Indigenous communities, ethnic minorities such as Afro-Peruvians and LGBTQ+ individuals remains widespread. However, civil society organizations and the Ombudsman's Office have launched campaigns to raise awareness of this issue. Despite efforts to improve access and exempt impoverished individuals from court fees, equal access to justice remains a significant challenge for the poor. Nearly one-third of the population effectively lacks access to judicial services.

In particular, violence against women and vulnerable populations remains a pressing issue in Peru. According to the National Aurora Program, 141 femicides and 19 attempted femicides were recorded in 2024 – a notable drop in attempted femicides compared with previous years. However, the Ministry of Health reported 10,908 cases of sexual abuse involving children and adolescents that same year, highlighting the gravity of the crisis. Despite recognizing violence against women as a structural problem, the state continues to struggle to implement effective prevention and response measures.

Civil rights are further threatened by increasing violence against social activists. A 2023 Global Witness report found that Latin America accounted for 85% of the 196 murders of environmental defenders worldwide, with Peru among the most dangerous countries in the region. Between 2012 and 2023, 58 environmental defenders were killed in Peru, with many targeted by illegal actors involved in land trafficking, mining, logging or the drug trade, underscoring the risks faced by those protecting natural resources.

Under President Boluarte, the government has taken increasingly conservative positions. Criticism of human rights protections and inter-American accountability mechanisms has grown louder. Following the social unrest of 2022 – 2023, the state has shown little initiative in pursuing justice or reparations, and has instead focused on strengthening the police and armed forces. A newly approved law establishing a statute of limitations for crimes against humanity has sparked widespread criticism,

Civil rights

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'06 '26 10

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including from the Inter-American Commission on Human Rights, which called for its repeal. President Boluarte's refusal to veto the law marks a troubling shift away from international human rights commitments.

#### 4 | Stability of Democratic Institutions

Democratic institutions in Peru theoretically fulfill their functions but are hindered by inefficiency, friction and weak state institutions and political actors. This includes national and subnational institutions, given that the decentralization process initiated in 2002 was hastily implemented, resulting in inconsistent outcomes and an exacerbation of governance challenges.

Under President Boluarte, the performance of democratic institutions has continued to decline, deepening the erosion that began under Pedro Castillo. This deterioration has largely been driven by a dominant congressional majority that has actively interfered with the executive branch. In response, the executive has relied on clientelism to secure political support, forming transactional relationships with Congress, regional governments and municipalities. These practices have weakened public administration by promoting inefficient appointments, misallocating resources and prioritizing political loyalty over institutional effectiveness.

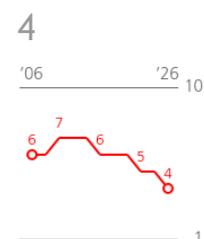
The cases of Lima Mayor Rafael López Aliaga and Ayacucho Governor Wilfredo Ocorima illustrate these dynamics. The executive has enabled politically motivated spending and debt approvals, often disregarding proper planning and technical standards. This patronage-based governance has undermined the state's capacity to meet citizens' needs effectively.

Meanwhile, Congress has further consolidated its own power, expanding its influence and encroaching on institutional autonomy, especially within the justice system. These counter-reforms have eroded checks and balances, reinforcing a logic of legislative dominance and deepening the crisis in democratic governance and public trust.

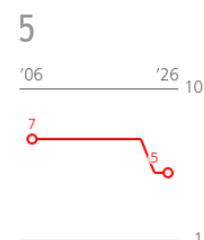
In principle, nearly all influential political actors in Peru accept the country's democratic institutions and regard them as legitimate. However, commitment to these institutions remains fragile, undermined by irresponsible behavior and excessive short-term political calculations. These issues stem from weak political parties and a dysfunctional political class prone to populist, demagogic and extremist tendencies. The situation in Peru has clearly worsened in recent years. In addition, a prohibition on re-election for members of Congress (effective 2021) may be influencing the short-term goals of several legislators.

Previous BTI reports highlighted the spread of extreme polarization across both the left- and right-wing sectors. After Pedro Castillo's attempted coup and removal, followed by Dina Boluarte's shift toward conservative positions, the agreements she

Performance of democratic institutions



Commitment to democratic institutions



reached with the new congressional majority created a fragile appearance of democratic stability. Over the past two years, power has been consolidated among highly conservative factions on both ends of the political spectrum, some of which promote extremist rhetoric. As in many countries, illiberal narratives and critiques of democratic institutions as corrupt or ineffective have gained prominence. Meanwhile, moderate and centrist actors have weakened, allowing extremist positions to gain ground across political, social and cultural arenas.

One notable development has been intensified criticism of the Inter-American justice system, accompanied by sharper discourse critical of the promotion and defense of human rights. President Boluarte has publicly raised the possibility of reinstating the death penalty, underscoring the shift in political rhetoric. However, despite this hardened rhetoric, no concrete steps have been taken to implement such measures.

## 5 | Political and Social Integration

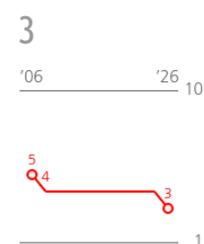
Peru's party system remains one of the least institutionalized in Latin America, marked by high levels of political fragmentation, volatility and weak ties to society. Political parties are largely focused on individual personalities rather than collective ideologies, lacking legitimacy, broad membership bases or organizational structures. Most national parties operate as informal alliances without formal programs or clear ideological principles and center on figures with little interest in cultivating party organizations. The 2021 general elections deepened the divide between Lima and the southern hinterland, creating a highly polarized electoral landscape.

During Pedro Castillo's presidency, this political polarization was highly visible in Congress, where debates focused on contentious issues such as fears of communism and calls for a constituent assembly – topics that resonated with certain segments of the population. Under Dina Boluarte, however, these discussions have largely disappeared. Given her less confrontational leadership style and absence of a clear agenda, Congress has shifted its focus to personal and factional interests that are often detached from broader societal needs. Legislative priorities now center on expanding parliamentary privileges, shielding members from investigations and catering to particular interests.

This shift marks a clear regression. Although the composition of Congress remains largely unchanged, its behavior has changed significantly. Ideological and programmatic debates have given way to self-serving legislation, accelerating the deterioration of an already fragile party system and deepening governance challenges.

Increasingly incoherent electoral rules add to instability. Since the limited reforms of 2019, the political system has regressed, most recently with the approval of a bicameral legislature and the emergence of a growing number of weak, unstructured

Party system



political parties. These piecemeal changes have further fragmented the system, leaving Peru's political landscape more dysfunctional than ever, with little hope for meaningful reform under current conditions.

Peru's landscape of associations and interest groups is marked by institutional weakness and significant heterogeneity, making it difficult to aggregate and articulate broad societal interests. Cooperation among groups remains limited, further constraining their ability to influence public policy. These groups span business and professional associations, unions, social movements and community organizations, with varying levels of organization and influence.

Business groups, such as the National Confederation of Private Business Institutions (CONFIEP), the Peruvian Institute for Business Management (IPAE), the Private Anti-Corruption Council and the Entrepreneurs for Integrity Group, are far better organized, highly influential and predominantly based in Lima. During the period under review, these groups actively engaged in the political sphere, frequently shaping public discourse on key issues. Civil society organizations such as Transparency International have also worked to create spaces for citizen participation and coalition-building. Notably, alliances between business associations, unions and NGOs have been established to address matters of public interest. However, these efforts have been largely weak, and most battles they have undertaken have ended in failure, reflecting broader challenges of organizing around collective goals in Peru.

Unions, which were once influential societal actors, have been severely weakened by decades of economic liberalization, a trend further exacerbated by the large share of workers employed in the informal sector. In 2021, only 8.2% of workers were members of a union. This decline has significantly reduced unions' political influence. Unions lack ties to existing political parties. Strikes are now far more common in the public than the private sector, reflecting unions' diminished power.

Informal organizations have emerged as notable societal actors. These groups include associations of miners, informal bus drivers and representatives of non-accredited universities; they are relatively well organized and have demonstrated the capacity to lobby successfully for specific public policies that benefit their interests. In many cases, these informal groups have proved more effective at achieving their goals than traditional interest groups, underscoring the fragmented and uneven nature of Peru's associational landscape.

Civil society has undergone notable developments in recent years. A more liberal segment has intensified its watchdog role, monitoring human rights, the extractive industries and government reforms. At the same time, civic participation has expanded, creating a diverse array of activist groups voicing demands at all levels, from the national to the local. Movements such as Ni Una Menos, which fights gender-based violence, and the ultraconservative Con Mis Hijos No Te Metas, which opposes so-called gender ideology, have gained visibility and political influence. While these groups were less prominent in public discourse than in previous years, they continue to mobilize around issues aligned with their agendas.

Interest groups

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Levels of approval of democratic norms and procedures remain low in Peru, even by Latin American standards. Dissatisfaction with the functioning of the democratic system has significantly eroded citizens' support for democracy. This disillusionment reflects a stark gap between high societal expectations – fueled by both populist and non-populist politicians – and the disappointment created by inadequate responses to critical issues such as insecurity, corruption, discrimination and persistent inequality. Support for democracy in Peru is critically weak. In the LAPOP 2023 surveys, only 51% of Peruvians expressed support for democracy, the lowest level since 2012. In addition, only 19% reported satisfaction with the functioning of democracy, a sharp decline from 52% in 2012. Troublingly, 44% of respondents said they would consider executive coups acceptable under certain circumstances, and nearly two-thirds said they believed there was insufficient freedom to express political opinions. These attitudes reflect widespread discontent with the democratic framework.

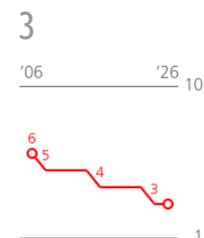
Similarly, the Latinobarómetro 2024 survey underscores the bleak outlook. Levels of trust in key institutions remained among the lowest in Latin America: Only 16% of Peruvians said they trusted the government, 7% trusted Congress and 16% trusted the judiciary. Trust in political parties was even weaker, with just 6% saying they trusted parties, signaling a profound crisis of representation. By contrast, institutions such as the Catholic Church (trusted by 63%) and the military (47%) enjoy far higher levels of confidence, reflecting a shift in public perception toward non-political entities.

Peru continues to exhibit very low levels of social capital, marked by pervasive mutual distrust among the population. While there is a wide range of autonomous, self-organized groups, associations and organizations across the country, their distribution is uneven, and many are temporary and spontaneously formed. The societal capacity for long-term organization remains severely weakened by the economic crises of the 1980s and 1990s and by the persistent growth of the informal sector. Although economic networks have expanded significantly over the past two decades, this progress has not translated into increased political activity or sustained collective action.

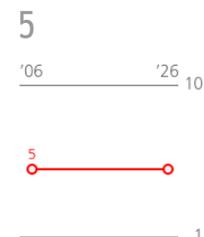
Levels of interpersonal trust in Peru are among the lowest in Latin America. In the Latinobarómetro 2024 survey, only 10% of Peruvians said they trusted others, compared with the regional average of 15%. However, this figure highlights a gap between localized trust within communities and broader societal trust, which remains critically low. The pursuit of short-term individual goals continues to undermine the building of long-lasting social capital.

Another sign of eroding social capital is the growing desire among Peruvians to emigrate. According to the Institute of Peruvian Studies (IEP), 42% plan to live or work abroad within the next three years, with even higher rates seen among young urban men between the ages of 18 and 24. Of those planning to go elsewhere, 64% intend to return eventually, while 31% say they would never return. The LAPOP 2023 report confirms a sharp rise in emigration intentions since 2019, reflecting deepening disillusionment, particularly among young people, and a crisis of confidence in Peru's future.

### Approval of democracy



### Social capital



## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Persistent state weakness jeopardizes socioeconomic development. In addition to poverty-driven disparities, issues such as social exclusion and marginalization remain prevalent, particularly in the highlands and the Amazon basin, where the majority of the Indigenous population lives. These problems primarily stem from historical socioeconomic disparities, gender gaps and cultural discrimination.

Peru was ranked 87th out of 193 countries in the 2022 Human Development Index (HDI), with a score of 0.762, slightly above the global average of 0.678. The country's Gini index score improved to 40.3 in 2022, indicating progress in reducing income inequality. In 2020, Peru's overall literacy rate stood at 94%, with a rate of 97% among males and 92% among females, placing the country among the higher-ranking nations in Latin America on this measure. However, gaps in gender equality persist, with Peru's Gender Inequality Index score remaining at 0.360 in both 2021 and 2022 (lower values indicate less inequality). Despite its economic recovery from the COVID-19 pandemic, Peru continues to struggle to close inequality gaps, particularly among marginalized populations. These persistent disparities underscore the need for targeted policies to address structural barriers to equitable development.

Macroeconomic stability and prudent fiscal management helped reduce the poverty rate in Peru to 20.7% in 2016, down from 54.7% in 2001, with faster progress seen in rural highland and lowland regions, according to the National Institute of Statistics and Informatics (INEI). Despite these gains, poverty rates remained higher in rural areas. Slowing economic growth due to falling commodity prices and structural weaknesses reversed this trend, pushing the poverty rate up to 25.9% by 2021 (22.3% urban, 39.7% rural). Poverty levels continued to rise in 2023, though a slight improvement is projected for 2024. However, institutional crises in the Ministry of Economy and Finance and the Ministry of Development and Social Inclusion have stalled meaningful efforts to reduce poverty.

A notable shift in recent years has been the growing relevance of urban poverty in post-COVID-19 Peru. Issues traditionally associated with rural poverty, such as inadequate access to basic services and precarious livelihoods, have increasingly manifested in urban settings. This trend highlights the evolving nature of poverty in the country, necessitating a more comprehensive approach that addresses disparities in both urban and rural settings.

Question  
Score

Socioeconomic  
barriers

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Economic indicators		2021	2022	2023	2024
GDP	\$ M	226328.8	246065.6	266958.7	<b>289222.0</b>
GDP growth	%	13.4	2.8	-0.4	<b>3.3</b>
Inflation (CPI)	%	4.3	8.3	6.5	<b>2.0</b>
Unemployment	%	5.1	3.9	4.9	<b>4.8</b>
Foreign direct investment	% of GDP	3.2	4.6	1.6	<b>2.4</b>
Export growth	%	14.3	4.4	3.8	<b>5.4</b>
Import growth	%	25.4	3.6	-1.7	<b>8.0</b>
Current account balance	\$ M	-5090.4	-9972.2	881.9	<b>6390.0</b>
Public debt	% of GDP	35.5	33.5	32.4	<b>32.2</b>
External debt	\$ M	86810.8	88828.8	90067.6	-
Total debt service	\$ M	5197.2	7435.4	13702.2	-
Net lending/borrowing	% of GDP	-3.2	-	-	-
Tax revenue	% of GDP	15.9	-	-	-
Government consumption	% of GDP	13.7	13.4	13.6	<b>13.4</b>
Public education spending	% of GDP	3.9	3.8	4.2	-
Public health spending	% of GDP	4.5	3.9	-	-
R&D expenditure	% of GDP	0.1	0.2	-	-
Military expenditure	% of GDP	1.2	1.2	1.1	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

Market competition in Peru has a relatively strong institutional framework, with generally equal opportunities for all market participants, at least in the formal market. Labor and capital are free to move across borders. However, the informal sector is quite large, with its general scope having remained stable over the years. Some experts even speak of a dual economy, split between the dynamic coastal regions and the economies in the Andes and Amazon regions, where low productivity and high levels of poverty still prevail. As of 2023, about 71.1% of the Peruvian labor force works in the informal sector, accounting for approximately 30% of GDP. According to the International Labor Organization (ILO), 68.4% of all jobs are generated within the informal economy. According to INEI, the share of employment within the informal sector in Peru increased from 75.2% in 2020 to 76.1% in 2022, reaching its highest level in nine years before decreasing to 71.1% between 2022 and 2023.

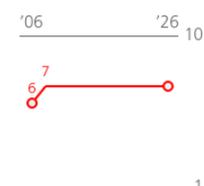
On the other hand, Peru implemented most market-oriented structural reforms in the 1990s and has maintained them since the turn of the century. The country's competition framework was strengthened after the free-trade agreement with the United States began in 2009. This has led to successive smaller reforms regarding state capabilities, infrastructure and the structural imbalances caused by the large informal sector. While there are still a few goods and services with regulated prices, such as public tariffs on electricity and water services, currency convertibility is guaranteed. Additionally, domestic and foreign investors are afforded equal treatment before the law in all economic activities. Even under left-leaning presidents Humala and Castillo, who were elected on political platforms that were relatively critical of neoliberal reforms, the market-oriented national policy has prevailed.

Some recent policy moves have challenged Peru's long-standing market consensus. Withdrawals from the workers' compensation fund (CTS) and pension savings (AFP) system, along with calls for price controls, reflect a shift toward populist interventions – even among parties once aligned with market-oriented policies.

While the market structure remains largely intact, populist rhetoric has gained ground. Over the past two years, figures such as Lima's conservative mayor, Rafael López Aliaga, have openly questioned core market principles, including with regard to honoring municipal contracts. Such actions mark a notable erosion of the pro-market consensus, even among traditionally supportive actors.

Market  
organization

7



Although regulation of monopolies and oligopolies remains weak, the institutional framework has improved slightly because of growing awareness of the dangers of market distortions. Anti-cartel legislation was introduced in 1991, during the economic reforms of the early 1990s, establishing ex post oversight of collusive practices and abuses of dominant market positions. The Institute for the Defense of Competition and Intellectual Property (Indecopi) is the competition agency responsible for all sectors of the economy except telecommunications, and has the power to sanction abusive acts associated with dominant market positions or restrictive market practices. Indecopi, which represents Peru in the International Competition Network, has endured through many administrations over the past 30 years, experiencing periods of greater autonomy and strength as well as relative decline.

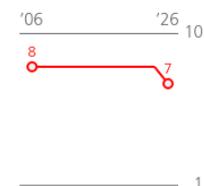
The OECD has concluded that Peru has an active competition regime in line with internationally recognized standards and practices but lacks regulation on mergers. However, in December 2019, Congress approved the Law on Prior Control of Business Mergers and Acquisitions, an initiative that sparked extensive debates among political leaders, economic actors and regulatory agencies. The new regulation associated with this law was published and took effect in March 2021. The antitrust law regulation was published and implemented in the same month. This initiative grants Indecopi and the Superintendency of Banks and Insurance (SBS) the authority to exercise prior control over business concentration operations, among other measures.

On the other hand, the Congress elected in 2020 passed several measures that undermined market principles, often under the guise of protecting consumers during the COVID-19 pandemic. These included laws penalizing hoarding and speculative practices and imposing caps on bank interest rates – measures widely criticized for distorting market dynamics.

During 2020 – 2024, Congress continued to pursue clientelist and populist policies. What changed was its consolidation of power, particularly under President Dina Boluarte’s weak and agenda-less executive. With little resistance, Congress advanced initiatives such as tax exemptions for hotels and casinos, despite objections from the Ministry of Economy and Finance. These moves, while not directly favoring monopolies, reflect a clientelist strategy aimed at rewarding political allies, further weakening competition policy and public trust in Peru’s economic system.

## Competition policy

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Peru has extensively deregulated foreign trade since the 1990s. The state imposes no fundamental constraints on free trade, particularly with regard to foreign investment and securities holdings. Previous governments had eliminated all restrictions and controls on payments, transactions, transfers and the repatriation of profits. The free-trade agreement with the United States, which went into effect on February 1, 2009, represented a significant step forward in this area.

Peru has also signed bilateral free-trade agreements with Chile, Canada, Singapore, China, Cuba, Mexico, Panama, Japan, Korea, the United Kingdom and Thailand, as well as regional free-trade agreements with the European Free Trade Association (EFTA), the Andean Community, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Mercosur and the European Union. These agreements cover very close to 100% of Peru's international trade. Peru's average tariff has steadily declined from nearly 70% at the end of the 1980s to 2.5% in 2012. The country's simple average most-favored-nation (MFN) applied tariff stood at 2.3% in 2023, according to the Ministry of Economy and Finance (MEF). There are no import quotas or export limitations. However, the Heritage Foundation points to continuing non-tariff barriers, including import restrictions, services market access restrictions, export taxes, price bands for sensitive agricultural products, and domestic preferences in government procurement.

Peru has been a World Trade Organization (WTO) member since 1995 and organized the 2016 Asia-Pacific Economic Cooperation (APEC) meeting. The 2019 Global Competitiveness Index ranked Peru at 16th place out of 141 countries for trade openness.

The 2024 inauguration of the Port of Chancay marks a major step in Peru's trade expansion. As South America's first deepwater port built for Asia-bound trade, it aims to cut logistics costs and boost competitiveness. Backed with significant Chinese investment, the project underscores Peru's commitment to becoming a regional hub for global commerce.

Banking is one of the few sectors of Peru's economy that has not deteriorated. Despite the impact of COVID-19 and climate-related challenges affecting some areas of the economy, the financial system has demonstrated remarkable resilience. While municipal savings banks have faced issues, these have been absorbed without broader instability. The Central Reserve Bank of Peru, the country's central bank, has maintained effective inflation control and policy continuity, even under new leadership, reinforcing overall confidence in the sector.

Peru's banking system adheres to international standards, with adequate supervision and minimum capital requirements. Domestic and foreign capital alike can access open capital markets, which have shown resilience in the face of sudden stops and reversals in capital flows. The government has implemented measures to enhance bank supervision in line with Basel II principles. While these measures have not yet

### Liberalization of foreign trade

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### Banking system

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reached the highest international standards, the Superintendence of Banking, Insurance and Pension Funds Administrators (SBS) diligently follows existing international standards.

Capital requirements for all types of risk, including credit, market and operational risk, have been introduced in line with Basel II guidelines. The latest World Bank data confirm the introduction of these measures, with non-performing loans accounting for 4.1% of all loans in 2022 and a bank capital-to-assets ratio of 10.3% in 2022. The extent of dollarization in the economy, a significant concern until 2014, has improved somewhat. As of November 2022, U.S. dollar deposits accounted for 36.9%, and dollar liquidity in the banking system stood at approximately 31%. According to the central bank, the dollarization ratio of liquidity decreased to 30% in April 2023.

Peru's banking system remains one of the economy's most resilient sectors. Its stability stems from limited exposure to global financial risks and effective coordination among the Ministry of Economy, the central bank and the banking regulator (SBS). These institutions have ensured liquidity and minimized systemic risks through prudent monetary and financial policies.

## 8 | Monetary and fiscal stability

Since 2002, the central bank's inflation target has been an annual cumulative inflation rate of 2%, with an allowable band between 1% and 3%. Despite repeated periods of sociopolitical crisis, inflation has remained relatively stable over the long term. However, in recent years, inflation rates have risen significantly, from 2% in 2020 to 4.3% in 2021, 8.3% in 2022 and 6.5% in 2023. Inflation and foreign exchange policies are pursued in concert with other economic policy goals and are institutionalized by the largely independent central bank, the Central Reserve Bank of Peru (BCRP). In contrast to the clientelistic practices and populist rhetoric that have characterized Boluarte's administration and, more prominently, Congress during this period, the BCRP has maintained its soundness and prestige under the leadership of well-known career bureaucrat Julio Velarde, who has headed the bank for 18 years.

The exchange rate regime in Peru is officially a floating system, but the BCRP actively intervenes in the currency market by buying and selling U.S. dollars to mitigate exchange rate volatility. During the review period, the exchange rate remained relatively stable. According to the Economic Commission for Latin America and the Caribbean (ECLAC), Peru's real effective exchange rate index (2015 = 100) has shown slight fluctuations over the past decade. The index values were 98.8 in 2020, 110.6 in 2021 and 106.6 in 2022. According to the latest available data as of the time of writing, the index stood at 104.2 in 2023, indicating a modest depreciation of the sol in real terms.

Monetary stability

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Peru's strong monetary policy and macroeconomic stability were evident during the COVID-19 pandemic, when the government successfully issued \$3 billion in sovereign bonds, part of a stimulus package equal to 12% of GDP. The offering drew \$25 billion in bids at low interest rates, reflecting continued international confidence.

However, in October 2022, Fitch Ratings downgraded Peru's long-term issuer rating in local currency to BBB- with a stable outlook, down from BBB+ in 2020, citing the pandemic's economic impact and ongoing political instability. Key concerns included declining investment, fiscal liabilities and delayed policy implementation. In April 2024, Fitch maintained the BBB rating but shifted the outlook to negative. By January 2025, Fitch returned the outlook to stable, recognizing Peru's sustained macroeconomic stability amid persistent political uncertainty.

In line with this, monetary stability in Peru remains robust and relatively unshaken. The central bank has effectively managed inflation, even amid a challenging international context. Furthermore, in a regional environment marked by severe exchange rate issues – such as those observed in Bolivia, Argentina and Brazil – Peru has navigated these turbulent waters with relative calm. This achievement underscores the BCRP's strong performance in safeguarding macroeconomic stability despite external and domestic pressures.

Fiscal stability was largely maintained under previous administrations. Public debt amounted to 20% of GDP in 2013 and has since risen above 30%, reaching 33% in 2023. In recent years, despite the slowdown in economic investment, Peru has managed to use accumulated reserves to mitigate the impact of external economic cycles. Measures have been developed to stimulate consumption and increase public investment. Peru's fiscal policy has proved very effective in applying countercyclical policies, regardless of the government in office.

Peru's fiscal balance has seen notable fluctuations in recent years. The central government posted a budgetary surplus of 1.1% of GDP in 2022, the first since 2012, indicating fiscal consolidation after two consecutive years of deficits exceeding 7% of GDP. Tax revenues amounted to 14.5% of GDP in 2019, declined to 13.2% in 2020 and recovered to 15.9% in 2021. However, projections for 2023 indicate a central government deficit of 2.4% of GDP, which is attributed to decreased tax revenues and increased interest payments. These effects outweigh reductions in current and investment expenditures. Government consumption has remained relatively low, averaging about 13% of GDP in recent years. According to the Ministry of Economy and Finance (MEF), the fiscal deficit is projected to decrease to 2% of GDP by 2025.

During the pandemic, the government increased public spending without severely jeopardizing the fiscal balance. The Ministry of Economy and Finance (MEF) managed to sustain conditions of fiscal solvency effectively, maintaining confidence in public finances. This was evident in a decline in perceived country risk, with many

Fiscal stability



indexes upgrading Peru from “high” to “low” risk in 2022. The Fiscal Council, created in 2013, continues to support MEF decisions and has contributed to fiscal stability through its expert oversight.

However, the Fiscal Council’s influence has waned under the Boluarte administration. The government’s efforts to secure political support from Congress, regional leaders and mayors have led to fiscal slippage, with deficit targets missed and fiscal rules ignored. This has caused tension between the MEF and the Fiscal Council, which has warned that Peru’s fiscal strength is increasingly at risk. The MEF’s dominance over fiscal policy has notably diminished.

## 9 | Private Property

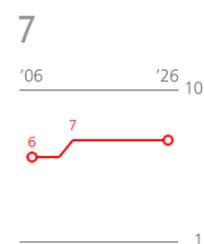
Former President Castillo’s campaign raised concerns about property rights, with his proposals including potential expropriations. While some capital fled following his election, no major reforms were enacted during his tenure. Since the 1990s, Peru has made significant progress in strengthening property rights, which are now clearly defined in law. However, enforcement remains inconsistent due to the weakness of judicial and administrative systems, limiting the ability of individuals and businesses to enforce contracts.

Property registration is generally straightforward, but challenges persist in regions with Indigenous populations, where unclear or culturally incompatible land titles complicate ownership. Land trafficking, often involving political figures and officials, is also a growing problem.

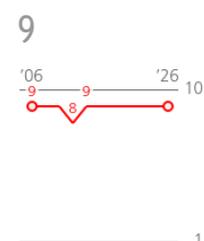
Mayor Rafael López Aliaga has publicly disregarded existing contracts, and populist rhetoric – especially around companies implicated in corruption scandals such as Lava Jato – has fueled further skepticism toward private enterprise, even among right-wing groups. On the Global Competitiveness Index (2019), Peru was ranked 121st out of 141 countries in the category of property rights protection and 124th for intellectual property protection. The Heritage Foundation’s latest Index of Economic Freedom gives Peru a score of only 45 out of 100 in the category of property rights.

Since the market reforms of the 1990s, most state-owned enterprises have been privatized, and private companies are recognized as the main drivers of economic activity and enjoy legal protections. The García administration (2006 – 2011) emphasized private investment, especially in the mining sector, which is a major source of fiscal revenue. This pro-business approach continued under Humala (2011 – 2016), Kuczynski (2016 – 2018) and Vizcarra (2018 – 2020), with a focus on reducing bureaucracy. In contrast, the Castillo government (2021 – 2022) lacked a clear strategy for supporting private enterprise.

Property rights



Private enterprise



By the end of the last review period, the Boluarte administration was facing a troubling political crisis that had begun affecting the business environment. Despite this, the Boluarte administration has shifted toward a pro-market stance, albeit with a somewhat populist tone. The government maintains strong rhetoric in favor of private enterprise and has actively promoted public-private partnerships in recent years. Initiatives such as “Obras por Impuestos” and efforts by ProInversión to attract investment have been key components of this strategy, reflecting a commitment to fostering private sector participation in public infrastructure projects.

Despite these developments, a few publicly owned enterprises remain, such as Petro Perú. Petro Perú has invested significant resources in questionable projects, but privatization is not currently being considered. Petro Perú has faced continuous management crises and high rates of personnel turnover.

## 10 | Welfare Regime

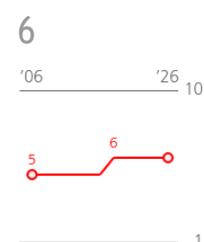
Welfare institutions intended to mitigate social risks associated with a neoliberal economy exist but vary significantly by region and social group. Peru’s hybrid welfare regime is designed to be comprehensive although it is de facto limited and does not reach all segments of the population. This situation is exacerbated by a large informal sector. Peru’s social security system rests on three main pillars: a mandatory social insurance system, an alternative private system based on individual capital, and a state-sponsored assistance system that covers the remaining individuals.

Peru’s health care system consists of the noncontributory Comprehensive Health Insurance System (SIS), which covers more than half the population; the contributory Social Health Insurance (EsSalud) program, which covers between 25% and 30%; private insurance; and separate coverage for the armed forces and police. Overall rates of insurance coverage have grown steadily, largely due to SIS expansion – from 37% of the population in 2004 to 76.9% in 2019, reaching an overall coverage rate of 87.5% by mid-2023. SIS remains the main provider, covering 58.6% of insured individuals. Despite these advancements, approximately 12.5% of the population still lacks access to health insurance, highlighting the need for continued efforts to achieve universal health coverage.

The pension system comprises a public system managed by the State Office of Pension Funds (ONP) and a private system managed by pension fund administrators (AFP). Workers may choose between these systems, yet according to the Lima Chamber of Commerce (CCL), about half of Peru’s economically active population (8.5 million workers) remains outside any pension system.

Since the Humala administration (2011 – 2016), the Ministry of Development and Social Inclusion (MIDIS) has sought to promote inclusion and protect vulnerable populations, though its political relevance has declined over time. While its programs

Social safety nets



have helped reduce poverty, they have fallen short of addressing deeper structural challenges. MIDIS regained some prominence during the COVID-19 pandemic, overseeing the distribution of economic aid under the Vizcarra, Sagasti and Castillo administrations, which introduced modest cash transfers to ease the crisis's impact.

Despite her experience as a MIDIS minister, President Boluarte has not prioritized social safety nets, which have largely fallen off the policy agenda. Successive MIDIS ministers have faced heavy criticism, which has weakened the ministry's role in addressing social risks. As a result, vulnerabilities have deepened, with effects such as increased anemia rates in 2024.

Mechanisms to compensate for inequalities exist but are limited in scope and quality given the extent of disparities, especially poverty and income inequality. Opportunities are generally not distributed equally, and access to public services is uneven. This inequality is often linked to discrimination against the Indigenous population. In general, the most disadvantaged groups in the country are the rural poor and, within the rural poor, women and Indigenous people in particular. To promote the empowerment of groups facing discrimination, Peru has introduced quotas and affirmative action policies in the political sphere to increase the political representation of women, young people and Indigenous people. However, implementing quotas and anti-discrimination policies remains problematic, and policies often have limited impact.

The main barriers to equal opportunity in Peru lie in the education system, with a particular need to expand access and improve quality for marginalized communities. High dropout rates and disparities in attainment across socioeconomic groups fuel persistent inequality. Indigenous children – especially those in rural areas who speak Amazonian languages – are subject to the greatest amount of exclusion, according to UNICEF.

The current administration has shown little initiative in addressing these challenges. Equal opportunity policies have stalled, and entrenched disparities remain a low priority. The lack of concrete action reflects the government's limited commitment to reducing inequality or to improving access to education.

Equal opportunity

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## 11 | Economic Performance

In recent years, the Peruvian economy has been affected by declining mineral prices, which reduced foreign investment, and by political uncertainty over President Castillo's poor management style. Despite this external context, Peru's economic policy remains on a solid footing. Although the Peruvian economy has grown more slowly compared with previous years, it consistently surpassed the Latin American average until the onset of the COVID-19 pandemic. In 2023, GDP per capita (on a purchasing-power parity basis) was \$16,717, reflecting a significant and sustained increase over the past decade. For 2024, the IMF projected that Peru's GDP per capita (PPP) would reach \$17,775 in international dollars. GDP contracted by 0.6% in 2023 after an expansion of 2.7% in 2022 (World Bank) and returned to growth in 2024. The inflation rate declined from 8.3% in 2022 to 6.5% in 2023. Foreign direct investment as a percentage of GDP has shown significant fluctuations, dropping from 2.1% in 2019 to 0.3% in 2020, increasing to 3.2% in 2021, peaking at 4.5% in 2022 and subsequently decreasing to 1.5% in 2023.

According to the World Bank, the unemployment rate fell from 7.2% in 2020 to 5.1% in 2021, reached 3.9% in 2022 and then rose slightly to 4.8% in 2023. While these indicators suggest resilience in some areas of the economy, they also highlight the ongoing challenges posed by both internal and external factors.

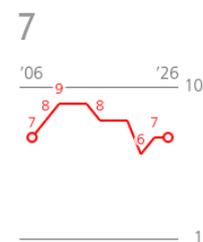
Peru's economic potential remains strong, especially in market-oriented sectors, with favorable regional growth projections for 2025. However, government inertia and a fragmented Congress hinder progress and fuel uncertainty. Despite promising indicators, fiscal deficits and rising populism cast doubt on the country's ability to fully realize its growth prospects.

## 12 | Sustainability

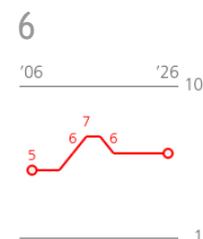
Recent governments have struggled to balance Peru's reliance on resource extraction with growing demands for sustainability, generally favoring the former. However, environmental concerns have gained traction, although enforcement has been uneven. Under President Humala (2011 – 2016), environmental policy received renewed attention, including the creation of the National Service for Environmental Certification of Sustainable Investments (SENACE) for independent environmental assessments and the approval of the National Environmental Education Policy. The Ministry of Environment (MINAM) was also strengthened, and Lima hosted the COP20 meeting in 2014. Despite these advances, illegal mining and logging remain largely unchecked.

Peru's current Climate Change Strategy to 2050 and its 2018 framework law align with the Paris Agreement, and regulations were adopted in 2020. However, political support for environmental policy has weakened since 2019, following protests linked to major mining projects such as Tía María (Arequipa) and Las Bambas (Apurímac).

Output strength



Environmental policy



Under the Castillo government (2021 – 2022), which was characterized by frequent cabinet turnover and political instability, environmental policy was not a priority. This trend continued under the Boluarte administration, which displayed a similar lack of initiative. The government during the review period largely maintained the status quo, with no significant efforts to strengthen environmental policy. As a result, progress remains stalled, and environmental governance has been marked by inertia, neither improving sustainability nor worsening existing conditions. One example is the accelerating deforestation in the Amazon Basin, particularly in the regions of Madre de Dios and Ucayali.

Education remains among the most challenging areas for the sustainability of Peru's development model. Public spending on education fluctuated in recent years, standing at 4.2% of GDP in 2020, decreasing to 3.9% in 2021, 3.8% in 2022 and returning to 4.2% in 2023. Overall access to education remains relatively good. In 2023, the Ministry of Education reported that about 90% of children had access to early education, 98% to primary education and 86% to secondary education. However, access to secondary education still shows room for improvement.

While Peru has achieved the largest improvement in Programme for International Student Assessment (PISA) scores among Latin American countries, its overall performance remains low by international standards. In the 2022 U.N. Education Index, Peru was ranked 84th out of 191 countries, with a score of 0.744, reflecting progress but also underscoring the need for continued efforts to address educational inequalities and improve quality.

Efforts to modernize education that began during García's administration (2006 – 2011) lost momentum because of political conflicts and the COVID-19 pandemic. Education reforms now face resistance, particularly from conservative sectors. The National Superintendency of Higher University Education (SUNEDU) has been weakened by congressional actions, such as Law 31520, which reduced its authority over university licenses. Under President Boluarte, pressure from Congress led to the dismantling of higher-education reforms, further undermining SUNEDU. Basic-education reforms also suffered, with the implementation of policies that allow automatic teacher appointments without competitive exams. These setbacks, feared under Castillo but not realized, have now materialized under Boluarte, marking a significant regression for education in Peru.

Peru's gross tertiary enrollment rate was 71.25% in 2017, surpassing the global average of 47.11%. This indicates a significant expansion in higher education access over recent decades. In 2020, R&D expenditure amounted to 0.2% of GDP, showing no increase from previous years. The figure fell to 0.1% in 2021, then returned to 0.2% in 2022, reflecting persistently low investment in R&D.

Education policy /  
R&D

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## Governance

### I. Level of Difficulty

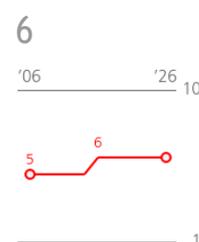
Structural constraints indicate a medium level of difficulty, with both positive and negative factors to consider. Negative factors include Peru's relatively modest level of economic and social development (although Peru is categorized as an upper-middle-income country); structurally ingrained poverty and inequality; inefficient state administrative and legal institutions; significant ethnic, regional and social heterogeneity; severe infrastructure deficiencies in the Andes and the Amazon; a weak civil society; a large informal sector; vulnerability to changes in the world economy; recurring natural disasters such as earthquakes and phenomena associated with El Niño; and the emerging effects of climate change.

Yet there are positive factors that brighten the picture somewhat. In the 1990s, the state reestablished its monopoly on the use of force, although criminal activities that defy the rule of law have recently challenged it across the country and begun to influence the political sphere. Despite the education system's problems, most Peruvians have access to basic education.

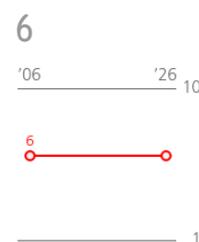
Under President Boluarte's administration, the focus of structural challenges has shifted. While Castillo faced a fertilizer crisis that hindered agricultural production, Boluarte has been forced to contend with the threat of a severe El Niño. Earlier, intense rainfall from the Yaku phenomenon caused deadly floods and widespread damage, while periods of drought worsened water shortages and affected crops. The government's response has exposed persistent weaknesses in disaster preparedness, poor coordination between national and regional authorities, and chronic underinvestment in resilient infrastructure, leaving Peru vulnerable to extreme weather events.

Peru's civil society is still feeling the impact of the crises in the 1980s and 1990s and, more recently, of the COVID-19 pandemic. Hyperinflation, terrorism, the collapse of the party system, economic liberalization and the authoritarian government led by Alberto Fujimori significantly eroded social trust and Peru's social fabric, which have yet to fully recover. Despite frequent mobilizations and active engagement by pressure groups, the civil society traditions that emerged during the final years of the reformist military regime (1968 – 1980) remain quite feeble today.

Structural constraints



Civil society traditions



Overall, civil society in Peru is weak. It suffers from a scarcity of organizational resources and high levels of fragmentation. The absence of strong actors such as stable parties or large societal organizations that are able to channel diverse social demands further compounds the problem. The demands pursued by civil society organizations are often segmented and geographically specific. Furthermore, the most common expressions of civil society tend to be rather spontaneous and episodic rather than organized.

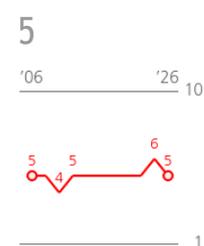
Levels of interpersonal trust in Peru are among the lowest in Latin America. In the 2024 Latinobarómetro survey, only 10% of Peruvians indicated that they trusted others, compared with a regional average of 12%.

Despite Peru's social segmentation, ethnic and religious tensions have not escalated into major conflict. However, protest movements have grown stronger in recent years, occasionally turning violent. Police and military interventions – often enabled by state-of-emergency decrees – have at times intensified unrest. Radical political actors have also sought to mobilize ethnic and social groups, reflecting ongoing social and political divisions. Much of the unrest has been linked to the expansion of mining in previously unaffected areas, spurred by high commodity prices. Recently, conflict levels have eased somewhat due to a slowdown in major mining projects and efforts to curb opposition.

Peru's long-standing political divide between Fujimoristas and anti-Fujimoristas has faded, giving way to a deeper rift between Lima and the country's periphery. This divide intensified during the 2021 elections, fueled by discriminatory and racist rhetoric. While southern regions push for political and social change, often calling for a constituent assembly, Lima represents the establishment resisting these demands. Political polarization has increasingly led to social unrest. The Ombudsperson's Office recorded 704 protests in 2022, many with political roots. In recent years, widespread mobilizations have occurred, including those against the Merino de Lama government in 2020 and the 2022 – 2023 protests demanding early elections and President Boluarte's resignation. These demonstrations, which have often been met with heavy-handed repression, have resulted in more than 50 deaths and hundreds of injuries, underscoring the growing violence tied to this regional divide.

After several cycles of intense protests over the past few years, a noticeable demobilization has occurred, raising questions about why there are not more protests, given the president and Congress' low levels of legitimacy. While conflict has persisted, it has become more sporadic and less intense than the politically charged confrontations earlier in Boluarte's term.

Conflict intensity



## II. Governance Performance

### 14 | Steering Capability

A government's ability to set and follow clear priorities is key to effective governance. Recent Peruvian administrations – under presidents Sagasti, Castillo and Boluarte – have shown varying success in this area, highlighting both strengths and weaknesses in political leadership during pivotal periods.

Under Sagasti (2020 – 2021), three clear priorities stood out: economic recovery, COVID-19 vaccinations and transparent elections. Programs such as Trabaja Perú created more than 120,000 jobs, and weekend vaccination drives reached 258,000 people, despite the Vacunagate scandal. The administration also successfully held general elections in April 2021. In contrast, Castillo (2021 – 2022) lacked clear priorities. Frequent cabinet changes and clashes with Congress reflected weak leadership. Promises such as the Segunda Reforma Agraria and free public university access went unfulfilled, and the government failed to set strategic goals or address key social issues.

The Boluarte administration initially aimed to hold transparent 2024 elections and revive the economy, but those efforts were overshadowed by violent protests and rising levels of political polarization. As noted earlier in this report, the Boluarte government has largely followed the pattern set by the Castillo administration. The Congress has driven the political agenda, pushing the executive to focus on survival rather than proactive governance. Ministerial turnover during Boluarte's administration has mirrored the instability of prior years. On average, ministers in her government have lasted only 3.8 months in office, reflecting the fragility and volatility of her cabinet. This lack of consistency and initiative has left the government unable to satisfy either right- or left-wing agendas, resulting in unclear priorities. In attempting to appease all sides, the administration has failed to establish or effectively pursue any strategic objectives.

Even before the COVID-19 pandemic, the Peruvian state struggled with weak technical capacity and poor implementation of priorities, largely because of inexperienced officials, weak political parties and high turnover rates in key public positions. Corruption scandals and political crises drove many experienced professionals out of the public sector. The absence of a formal civil service career path continues to hinder the development of an effective bureaucracy.

Under President Sagasti, a technocratic cabinet and strategic negotiations enabled efficient policy execution, including continued COVID-19 vaccinations. In contrast, Castillo's administration weakened the public administration by appointing

Question

Score

Prioritization

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Implementation

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unqualified officials. Public policy implementation suffered, with only 14 of 19 ministries reaching a 35% public investment execution rate in the first half of 2022, well below the 50% seen in previous years.

Under the Boluarte administration, the government appeared directionless, proposing initiatives without clear plans for implementation. Addressing insecurity is one of the public's key demands, as public opinion surveys show. Yet the government's performance in this area has been dismal, with no tangible results to date. The Ministry of the Interior has seen significant instability, with ministers lasting an average of only 2.7 months in office. Repeated declarations of states of emergency – which remain ineffective despite widespread criticism – have failed to address growing public safety concerns. In terms of budget execution, indications suggest the Boluarte administration has performed better than its predecessor, with a potential improvement in public investment execution rates. But this has not translated into major initiatives or projects that would define the government as a competent state manager. Despite this modest progress, the administration still lacks a clear strategic direction, leaving public dissatisfaction unaddressed and contributing to the perception of governance stagnation.

Continuing patterns observed under previous governments, the Boluarte administration has shown little capacity for policy learning. Instead of addressing structural challenges through innovative solutions, the government has largely relied on reactive responses to political events and on survival strategies aimed at managing its fraught relationship with Congress and regional actors. As a result, the focus has shifted toward clientelist practices, further eroding the quality of public administration.

Ministerial turnover rates under Boluarte have remained alarmingly high. Ministers last only 3.8 months on average, fueling instability. Frequent replacements, often involving unqualified personnel, disrupt continuity and hinder policy learning. Political patronage further limits long-term reforms, fostering institutional inertia. As a result, policies remain reactive rather than strategic and lack innovation in key areas such as public safety and economic recovery.

As this report highlights, the Boluarte administration has failed to address structural weaknesses in Peru's public administration. Persistent clientelism and the lack of investment in a professional civil service have undermined policy learning. The government's inability to learn from past mistakes or adopt effective strategies has reinforced a cycle of stagnation, with serious social and economic consequences.

#### Policy learning

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## 15 | Resource Efficiency

The government's use of available human, financial and organizational resources is uneven. The “second-generation reforms” related to state reform and efficient resource utilization have not been fully implemented. Government expenditures are audited by the Comptroller General's Office, but the labyrinthine character of Peru's administration often prevents transparent auditing, especially of expenditures at the regional and local levels.

Significant shortcomings persist in the area of human resources. Despite multiple reform efforts, Peru's bureaucracy is widely perceived as inefficient and corrupt, and as lacking merit-based hiring practices. Government efficiency is hindered by a poorly professionalized state administration, especially at the regional and local levels. To address this, the National Civil Service Authority (SERVIR) was established in 2008 to promote professionalism and transparency within the civil service over the medium and long term. However, the importance of civil service reform has diminished in recent years, further undermined by legislation passed by the current parliament.

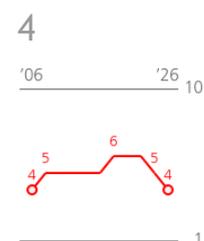
The public sector continues to struggle with budget execution. Despite having more financial resources available to it than in previous decades, it lacks the capacity to use its allocated funds effectively. This reflects deeper structural inefficiencies in public spending. Clientelism and corruption – especially under the Castillo and Boluarte administrations – have further hindered implementation. Meanwhile, Congress' populist approach has led to increased fiscal transfers to regional and local governments, despite their limited ability to manage these resources effectively.

During the review period, the little that was functioning has been gradually dismantled. This has been evident in sectors such as education – where reforms have been undermined – and in the weakening of the Ministry of Economy and Finance (MEF). Irregular appointments driven by clientelistic logic have become increasingly common. While SERVIR has not been eliminated, the lack of action regarding this institution suggests it is being allowed to languish, with no apparent intention of reviving or strengthening it.

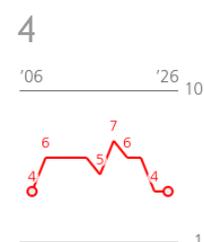
Over the past decade, Peru's administrations have struggled with conflicting objectives and incoherent policies. The interim Sagasti administration (2020 – 2021), though brief, was notable for its policy coherence and technocratic cabinet.

In contrast, the Castillo administration (2021 – 2022) lacked clear direction and was plagued by incoherent appointments, clientelism and corruption. Its inability to develop or implement effective policies was evident in the appointment of Katy Ugarte, an ultraconservative opponent of gender equality, to lead the Ministry of Women and Vulnerable Populations, a move that undermined its core mission.

Efficient use of assets



Policy coordination



Under the Boluarte administration (2022 – 2025), reliance on clientelistic practices deepened, particularly in negotiations with Congress, leaving the executive subordinate to legislative demands. This severely weakened coordination within the government as ministers struggled to agree on cohesive policies. In addition, frequent cabinet reshuffles eroded institutional continuity and hindered policy coordination. Short-termism and a lack of strategic priorities left the administration unable to address Peru’s pressing challenges, further entrenching its subservience to Congress and exacerbating its incoherence.

Corruption and impunity are defining features of Peru’s political class and public administration. Although the state has undertaken numerous initiatives at the national and subnational levels to slow the advance of corruption, it has been unable to find effective solutions to this problem. Even the key institutions responsible for promoting anti-corruption policies – Congress, the Prosecutor’s Office (Fiscalía de la Nación) and the judiciary – have been involved in high-profile corruption cases in recent years.

In Peru, no single institution is responsible for investigating corruption. This task is shared by the Prosecutor General’s Office, the national police and government agencies such as the Ministry of Justice. Specialized prosecutors focus on grand corruption cases, while the Comptroller General’s Office oversees administrative corruption. The High-Level Anti-Corruption Commission (CAN), created in 2010, coordinates anti-corruption efforts across the public, private and civil society sectors, although its role is largely advisory. CAN is part of the Presidency Council of Ministers (PCM).

While integrity mechanisms have been strengthened on paper, auditing government expenditures remains challenging because of Peru’s complex administrative structure (with around 1,500 public institutions). Transparency is often hindered at the regional and local levels. The Law on the Declaration of Interests requires high-ranking officials to file asset declarations. In September 2020, Congress passed a law requiring political organizations to submit two financial reports during election campaigns. Serious violations of the Political Party Financing Law may result in suspension of a party’s registration. Parties must also grant the National Office for Electoral Processes (ONPE) access to their bank accounts for verification. Corrupt individuals and companies are barred from state contracts. Public and media access to information on state activities has improved because of the Law on Access to Information and other regulations that aim to strengthen transparency.

Despite existing anti-corruption provisions, enforcement and policy implementation remain deeply flawed. Political instability, delays in fiscal investigations and the politicization of anti-corruption measures – both within the justice system and in the media – have significantly hampered progress. These issues, coupled with ongoing political crises, have undermined efforts to investigate former officials and authorities effectively.

#### Anti-corruption policy

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The Castillo administration demonstrated a lack of commitment to anti-corruption policies. By the end of 2022, the national prosecutor had opened six corruption cases against Castillo and his associates. However, the High-Level Anti-Corruption Commission (CAN) remained largely inactive, creating a gap in government oversight. Under the Boluarte administration, there has been little effort to advance anti-corruption policies. Yet institutional inertia has ensured the survival of autonomous entities within the Public Ministry, the judiciary and the Comptroller General's Office, which have continued to investigate, prosecute and hold officials accountable. These institutions have allowed investigations to proceed, including those implicating President Boluarte and her close circle. In contrast, Congress has largely focused on protecting the rights of those accused of corruption rather than on advancing systemic reforms, further highlighting the lack of political will to combat corruption comprehensively.

## 16 | Consensus-Building

In the years since Alberto Fujimori's fall in 2000, Peru has undergone democratic restoration. Democratic norms were reestablished, and by the early 2000s most political and societal actors endorsed representative democracy as a foundational principle. During the transitional Sagasti administration (2020 – 2021), a fragile but broad consensus on democracy appeared to hold, with key elites and institutions supporting democratic governance, at least rhetorically. However, this consensus has steadily eroded. Tensions between the executive and the legislature, particularly under Presidents Kuczynski, Vizcarra and later Castillo, exposed deep fractures in Peru's institutional framework. Under Castillo (2021 – 2022), polarization intensified as conflict with an obstructionist Congress paralyzed governance and deepened public mistrust in political institutions. The Boluarte administration (2022 – 2025) marked a shift. A rising populist narrative that frames democratic checks and balances as inefficient or obstructive has undermined democratic procedures.

Since the 1990s, Peru's economic policy has been grounded in neoliberal principles, characterized by open markets, low fiscal deficits and limited state intervention. Fujimorista and conservative congressional factions played a pivotal role in defending the neoliberal model, helping sustain continuity across administrations. However, since 2016, this elite consensus has come under increasing strain. Political instability, corruption scandals and legislative obstructionism have weakened the state's ability to implement long-term policies, while public discontent with inequality and exclusion has fueled calls for greater state intervention. Under Boluarte, economic policymaking remained broadly market-friendly on paper, but in practice there has been a shift toward short-term populism and opportunistic fiscal measures. The weakening of the neoliberal consensus is also evident in the fading role of technocratic elites who once guided policy across political cycles. While Peru has not abandoned the market economy, the ideological and institutional pillars that sustained it for three decades are increasingly fragile.

Consensus on goals



In general terms, the government successfully integrates potential veto powers, such as the military and the business community, into its fold. The military appears subordinate to civil authorities, and, indeed, the government has been eager to cultivate civil-military relations, given the armed forces' importance in Peru's political landscape. Regarding the business sector, the continuity of economic liberalization policies has secured the support, or at least the neutrality, of this sector.

A growing concern, however, is the rise of powerful interest groups associated with illicit and informal activities. These have infiltrated political parties and gained representation both in Congress and at lower levels of government. For example, informal miners in regions such as Madre de Dios are clearing forests and exerting significant influence on policy debates. Certain interest groups have secured parliamentary seats and are actively promoting measures that undermine oversight institutions, such as efforts to weaken the National Superintendency of Higher University Education (SUNEDU), extend permits for informal haulers and grant amnesty for unpaid fines.

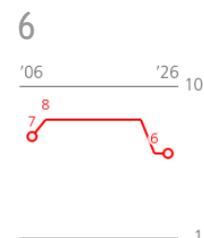
Peru's political leadership has struggled to manage conflicts rooted in long-standing social cleavages and structural exclusion. While some disputes have been contained, deep-seated issues – especially those linked to resource extraction – remain unresolved. Low levels of trust in political leaders coupled with personalized politics often undermine mediation efforts and fuel polarization. The country's social fragmentation has played a greater role than effective conflict resolution in preventing widespread unrest.

In recent years, Peru has faced two main types of political conflict: structural and political. Elections in 2011, 2016 and 2021 underscored regional, urban-rural and class divisions. In 2021, Pedro Castillo gained strong support from rural and southern regions, but his outsider status limited his ability to bridge divides. Another key fault line stems from the Fujimorista legacy, reignited by Alberto Fujimori's 2024 death. Fujimori is praised by some for his economic and anti-terrorism policies and condemned by others for his authoritarianism and corruption.

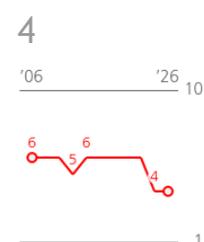
The 2021 elections also revealed new divisions within Congress. Right-wing parties (Renovación Popular, Avanza País, Fuerza Popular) united against Castillo over alleged fraud and “communist” policies, while leftist parties (Perú Libre, Juntos por el Perú) advocated structural reforms and a constituent assembly.

In addition, the broader anti-establishment versus establishment divide has intensified in recent years, with the capital city often representing establishment interests and the southern regions embracing an anti-establishment discourse. This polarization has created a deep rift, with the establishment associated with the political, economic and social networks concentrated in Lima, while anti-establishment sentiment, particularly strong in the southern regions, reflects demands for political and social change that challenge the status quo.

Anti-democratic actors



Cleavage / conflict management



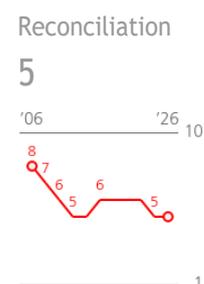
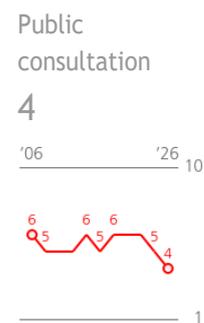
Under the Boluarte administration, however, the dynamics of conflict have shifted significantly. The left-right and establishment/anti-establishment cleavages that intensified under Castillo have lost relevance. Instead, a new pattern of conflict has emerged. The antagonism is no longer centered on ideological battles or regional divides but on the growing rift between the political class (both Congress and the executive) and society.

Peruvian politics has long been marked by the neglect of numerous social demands and a failure to deliver on promises. Peruvian parties are disconnected from civil society. Instead of proactively addressing civil society demands, the state continues to react to protests. The political culture among Peruvian elites shows a mistrust of and disregard for civil society participation, and elites are reluctant to accept the legitimacy of social leaders and their organizations.

The Kuczynski and Vizcarra administrations sought legitimacy by involving civil society. Vizcarra, for instance, formed commissions on justice, political reform (2018 – 2019) and the COVID-19 response, signaling a willingness to incorporate public input. In contrast, the 2021 Congress largely excluded NGOs and technocrats, leading to weaker laws and institutions driven by self-interest. Political polarization between Congress and the executive also fostered selective consultation, with each side engaging civil society actors that aligned with their ideological positions.

Under the Boluarte administration, the executive and Congress have abandoned nearly all efforts to engage civil society. The government has shown no interest in fostering public dialogue or seeking external input. Congress has increasingly insulated itself from broader social demands, defending its own interests and prerogatives while ignoring public grievances. This insulation of political representation has produced a disconnect between the state and society. Social conflicts, such as those involving labor disputes or resource extraction, now run on a separate track, largely ignored by political institutions. Each actor operates independently, with Congress prioritizing its internal dynamics over addressing societal demands. Consequently, although social conflicts persist, they are largely detached from the political sphere, reflecting a governance vacuum and growing disillusionment with the political system.

Reconciliation remains a contested issue in Peru, as sectors linked to human rights violations during the 1980s guerrilla conflict and the 1990s authoritarian rule of Alberto Fujimori continue to wield significant political influence. Government decision-making remains shaped by the enduring legacy of these conflicts. Both the political elite and a substantial portion of the public hesitate to address this issue, resulting in slow progress. By 2010, most victims of the 1980 – 2000 armed conflict had been identified and included in the victims' registry. Payment of reparations, supervised by the High-Level Multisector Commission (CMAN), has begun through financing projects in various communities recognized as having been victimized during the armed conflict.



The work of the General Directorate for the Search for Missing Persons (DGBPD) of the Ministry of Justice has been significant. Established during the final months of the Humala administration, the DGBPD gained prominence under Martín Vizcarra’s presidency (2018 – 2020). This initiative focuses on a humanitarian search for missing persons and human remains. It aims to provide closure for families without interfering with judicial processes. However, under Castillo’s government, the DGBPD lost political support and was deprioritized.

One issue that deserves attention is the police and armed forces’ resistance to acknowledging their own human rights violations during the internal armed conflict. Currently, retired military officers hold seats in parliament and are seeking to rewrite history by revising school textbooks covering this pivotal event. The Memory Place (Lugar de la Memoria, LUM), a site dedicated to victims and to neutral analysis of the conflict, has faced ongoing attacks by voices seeking to valorize the military’s role. For instance, Rafael López Aliaga, the current right-wing mayor of Lima, proposed granting control over the LUM to the military, which would threaten its impartiality and risk a distortion of history in favor of the armed forces.

## 17 | International Cooperation

Peruvian policymakers have traditionally collaborated effectively with bilateral and multilateral donors, using international aid to support long-term development strategies in the economic and social sectors and, to a lesser extent, in democratic institution-building.

In recent years, however, this dynamic has been weakened by limited technical capacity among political and civil society actors combined with a lack of clear agendas from the executive. International cooperation has partially filled this gap by proposing projects and public policies, helping to create “islands of efficiency” in areas such as public health and education.

Under the Castillo administration, both the government and the opposition resisted international involvement in sensitive areas, particularly on environmental and human rights issues. This trend continued under the Boluarte administration, which showed similar hesitation to fully engage international actors to address these critical areas. While some cooperation persists, the government’s limited openness has constrained the impact of international assistance.

High levels of polarization and politicization have continued to harm Peru’s international reputation. Under the Castillo administration, the Ministry of Foreign Affairs faced challenges, including controversial appointments and instability in official posts, that undermined the professionalism and autonomy of its diplomatic operations. For example, confrontations between the executive and legislative branches prevented President Castillo from attending important international events

Effective use of support

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Credibility

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such as the Pacific Alliance summit in January 2022 and the inauguration of Colombian President Gustavo Petro in August 2022.

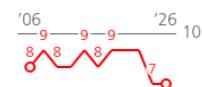
Under the Boluarte administration, presidential travel has faced fewer obstacles, enabling greater engagement abroad. However, tensions with international actors have intensified. The government and Congress have increasingly criticized the Inter-American justice system and the involvement of foreign NGOs within Peru. An initial vote on an “anti-NGO law” sparked strong reactions from embassies and international organizations, prompting rare public opposition from foreign ambassadors and raising concerns about Peru’s stance on international relations.

In the broader context, Peru’s commitments to democracy and a market economy remain firm but face growing challenges. Efforts to promote private investment sometimes conflict with international commitments, including ILO Convention 169, which has delayed key mining and oil projects. Furthermore, conservative sectors continue to challenge the decisions of the Inter-American Court of Human Rights, a trend that has become more pronounced under Boluarte’s administration. While there has not been a significant rupture in Peru’s international relations, rising tension with international cooperation actors and diplomatic criticism of domestic legislative initiatives indicate a troubling shift in Peru’s credibility on the global stage.

Peru’s foreign policy has traditionally been pragmatic and friendly toward other countries in the region. However, the Castillo administration (2021 – 2022) created significant polarization within the regional community. Countries such as Mexico, Argentina and Colombia openly supported President Castillo, denouncing what they called a “parliamentary coup d’état.” Conversely, Brazil and Chile recognized Dina Boluarte as Peru’s constitutional president and criticized Castillo’s attempted self-coup. This division underscored the fractured stance among Latin America’s left-leaning leaders. Bilateral relations with Bolivia also were strained when Peru’s Congress denied former President Evo Morales entry into the country, accusing him of political proselytizing.

The Ministry of Foreign Affairs also suffered under Castillo’s administration because of controversial appointments and high turnover rates in official posts, which undermined professionalism and efficiency. These issues significantly limited Peru’s capacity for regional cooperation, an effect further exacerbated by the perception that government institutions lacked stability and were susceptible to political interference.

In the past two years, regional relations have stabilized. The departure of Castillo marked the end of heightened polarization in Peru’s international standing. Although Peru’s foreign relations under Boluarte have not improved significantly, they have returned to a more neutral footing. Diplomatic tensions with neighboring countries have eased, and no major disputes have emerged, contributing to a more tranquil period in regional affairs. Nevertheless, opportunities to strengthen regional cooperation remain limited, as Peru’s foreign policy has not fully regained the strategic focus and professionalism lost in recent years.



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Regional cooperation

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## Strategic Outlook

Despite a significant weakening of Peru's neoliberal consensus, some institutional and economic legacies continue to provide a degree of stability. The economy still shows signs of resilience, yet critical pillars that underpinned Peru's strength over the past three decades have shown signs of erosion. Rising debt and a growing fiscal deficit raise serious concerns that could jeopardize the country's economic stability in the medium term. This weakening of economic fundamentals threatens the foundations of the stability Peru once prided itself on.

As Peru approached the pre-electoral year of 2025, the outlook for a future administration in 2026 appeared pessimistic. Regression in political and institutional reforms; the predominance of conservative, informal and illegal interests; and heightened fragmentation all foreshadow a weak and unstable government. However, pockets of resistance persist. Autonomous judges and prosecutors have demonstrated resilience, defending institutional integrity against serious threats. Similarly, segments of organized civil society, including business and academic elites, have coalesced around the shared goal of halting further deterioration. These efforts, while sporadic, offer a glimmer of hope amid a challenging landscape.

As the period closed, the presidency of Dina Boluarte remained precarious, with her removal before the end of her term in July 2026 appearing to be a clear possibility. The administration's inability to address the country's most pressing problems – such as insecurity and corruption scandals involving figures near the presidential circle – has further eroded public confidence. As the executive flounders, Congress, driven by its ambitions and populist agenda, may attempt to position itself as a savior of the nation, exploiting the administration's perceived incompetence. The proximity of the 2026 elections may temper street-level protests, providing the legislature with greater latitude to consolidate its influence.

To mitigate these challenges, concerted efforts are needed to curb the dominance of the parliamentary majority that has formed around narrow, often self-serving interests. This majority poses significant risks to Peru's fragile economic and institutional progress. Strengthening the bastions of resistance – both within the judiciary and in civil society – will be critical to counterbalancing this trend. These groups, despite facing substantial headwinds, have achieved notable successes in protecting democratic norms and curbing excesses.

Looking ahead to 2026, promoting alliances and candidacies that prioritize responsible governance will be essential. Building coalitions capable of halting Peru's decline requires fostering a minimum consensus among key sectors, including business associations, NGOs and academic institutions. Encouragingly, there are signs of emerging collaboration among civil society actors that have previously operated in isolation.

The challenges ahead are daunting, and the road to institutional recovery will be long and fraught with obstacles, including those in international relations. China is Peru's biggest trading partner, followed by the United States. The deepwater Port of Chancay, funded by China and operated by COSCO Shipping Ports, is the most recent example of growing Chinese economic influence in Latin America and could become a point of contention in a trade war between the United States and China.

By strengthening existing resistance networks and renewing its commitment to reform and accountability, Peru can begin to chart a path toward stability. The 2026 elections will be pivotal in shaping the country's ability to arrest its decline and restore a sense of direction in governance and development.