

## *Editorial*

Peru has experienced extraordinary progress in the past two decades. Significant improvements in economic growth, well-being and poverty reduction have been observed since the introduction of macroeconomic reforms and more effective social programmes in the 1990s and 2000s. The country has raised its per-capita income level, reaching the status of an upper middle-income country, and an expanding middle class now represents around a third of the population.

Peru faces great challenges, however, if it is to continue on a sustainable and inclusive development path. Many gaps remain that result largely from its rather volatile economic and political history. These add to new challenges associated with the so-called “middle-income trap” (a situation where productivity growth stagnates after countries have reached middle-income status), and the emergence of a middle class with its own expectations, demands and vulnerability.

Large inequalities in income and quality of life across people and space, low productivity performance and widespread informality are three cross-cutting challenges that are particularly relevant for the country’s future progress. In order to achieve sustainable and inclusive development, Peru will need to broaden the tax base and increase the effectiveness of taxation, as well as to strengthen its institutional frameworks and state legitimacy. This will enable the country to address further challenges such as promoting greater economic diversification, improving human capital formation (e.g. education, skills and health), addressing infrastructure and logistics gaps, tackling ineffective labour market regulation and strengthening social protection programmes.

Reforms are needed to achieve a more inclusive and sustainable path, and the OECD, together with other regional organisations, can support Peru’s efforts. The country has embraced numerous policy initiatives to improve living conditions, but further progress demands additional reforms and innovative policy approaches to emerging challenges. This Multi-Dimensional Country Review (MDCR) helps meet these challenges. The first volume of the MDCR presents a diagnosis of some of the main impediments to development in Peru. Forthcoming volumes will present an in-depth analysis of the main constraints to inclusive development, accompanied by specific policy recommendations to carry out structural reforms and create the conditions for making reform happen. These analyses support Peru’s own development agenda towards achieving a brighter future for its citizens.

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