Individual Millennium Development Goals (MDGs) should not be analyzed in isolation from each other. In fact, they have important interactions. For example, universal education (MDG 2) can increase growth and reduce poverty (MDG 1) by raising the productivity, and wages, of the poor.

Evidence for Peru suggests that improved educational services and infrastructure (aimed at fostering access to all educational levels, including higher education) could, by 2015, increase growth by 0.89 percentage points (see MDG2** scenario in the graph below), while permanently reducing poverty by 1.80 percentage points. More generally, a sustained and broad-based GDP growth rate of seven percent is found to be necessary to reach the goal of cutting national poverty in half by year 2015.

For a middle income country like Peru, education matters but not only at the primary level. Policies to enhance higher education also deserve attention given their potential contribution to growth. If access to higher education is provided in a more equitable way, Peru’s prospects of reducing poverty would be greatly improved.

Policy makers should be aware that specific social policy interventions should be accompanied by an overall fiscal policy aimed at ensuring stable funding and avoiding any drastic spending cuts. This will greatly enhance the possibility of attaining medium and long run social targets like the ones proposed in the MDGs.

This Policy brief is based on the WP MPIA 2008-05.