

TC Document

1. Basic Information for TC

▪ Country/Region:	PERU
▪ TC Name:	Impact Evaluation of the COVID-19 Emergency Cash Transfers in Peru
▪ TC Number:	PE-T1478
▪ Team Leader/Members:	Frisancho, Veronica (RES/RES) Team Leader; Sorio, Rita Elizabeth (SCL/SPH) Alternate Team Leader; Escobar Genes, Myriam Helvecia (RES/RES); Stampini, Marco (SCL/SPH); Urquiola Ralero, Montserrat (RES/RES); Vila Saint-Etienne, Sara (LEG/SGO)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	
▪ Date of TC Abstract authorization:	17 Mar 2021
▪ Beneficiary:	Ministerio de Economía y Finanzas (MEF)
▪ Executing Agency and contact name:	Inter-American Development Bank Contact: Veronica Frisancho (RES/RES)
▪ Donors providing funding:	OC Strategic Development Program for Social Development(SOC)
▪ IDB Funding Requested:	US\$150,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	24 months disbursement (20 months execution period)
▪ Required start date:	15 June 2021
▪ Types of consultants:	Individual Consultants' (PEC) and Firms (SSS and SCS)
▪ Prepared by Unit:	RES-Research & Chief Economist
▪ Unit of Disbursement Responsibility:	RES/RES-Research & Chief Economist
▪ TC included in Country Strategy (y/n):	Yes (Bank's strategy with Peru (2017-2021) (GN-2889))
▪ TC included in CPD (y/n):	yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Gender equality

2. Objectives and Justification of the TC

- 2.1 The objective of this Technical Cooperation (TC) is to support the Peruvian Government in monitoring and evaluating the measures the authorities have implemented to counteract the COVID-19 pandemic's negative effects on the welfare of poor and vulnerable households. This TC will fund the impact evaluation of a large-scale public program that is delivering unconditional emergency cash transfers to almost 8 million poor and vulnerable households in Peru. The outputs produced by this TC will provide the Ministry of Finance in Peru with estimates of the effects of the cash grants on consumption, labor market participation, physical and mental health, mortality, domestic violence, human capital investment, and intrahousehold dynamics, as well as access to credit and default patterns. This TC will provide the Peruvian government with timely evidence that will enable them to improve their current policies aimed at supporting minimum consumption levels of poor and vulnerable people in the face of the crisis caused by COVID-19 and future emergencies.
- 2.2 Governments around the globe have imposed mandatory quarantines to contain the expansion of the COVID-19 pandemic. While these measures help to flatten the curve of contagion, they have triggered serious and unevenly spread economic consequences, particularly in a region, such as Latin America, with a large informal sector.

- 2.3 In Peru, the first country in Latin America and the Caribbean to introduce a compulsory shelter-in-place order, the government sought to smooth the impact of the shock on the consumption of vulnerable households by providing a series of emergency cash transfers, a policy adopted by over 100 countries across the globe. Since the pandemic began, the Peruvian government has given unconditional emergency cash transfers to almost 80% of the most vulnerable households in the country. To date, about 8 million households have received PEN 1520, equivalent to the disbursement of two rounds of the subsidy. This transfer is substantial, equivalent to twice the cost of the food basket used in the country to determine extreme poverty status for a family of four.
- 2.4 The emergency program initially targeted poor and extremely poor urban households through the transfer “Yo me quedo en casa”, but it was later extended to cover vulnerable households through multiple schemes including a transfer to non-poor urban independent workers, a rural cash transfer, and the transfer “Bono Universal Familiar”, targeting urban households with income levels below 3000 nuevos soles and who were not eligible for other transfers. After the announcement of the initial round of one-time transfers early on during the pandemic, the government instituted a second round in October 2020 to complement the initial transfer. Given the emergence of a second wave and the delay in vaccination plans due to the country's political crisis, the Peruvian government announced a third round of transfers at the beginning of 2021 and mandated a second stay-at-home order during February.
- 2.5 The work developed under this TC will focus on two of the transfer schemes put forward by the Peruvian government in urban areas: the transfers “Yo me quedo en casa” and “Bono Universal”. In the first case, eligibility for the transfer was determined based on poverty or extreme poverty status as defined by the Household Targeting Index (Indice de Focalización de Hogares, IFH). This index is calculated by the Household Targeting System (SISFOH) managed by the Ministry of Development and Social Inclusion and it is used to deliver social programs in the country. The main eligibility criteria for the second scheme, the “Bono Universal”, is that the household was not eligible for other subsidies and that no household member earned more than 3,000 soles, as reported to the tax authorities or the banking system. These criteria naturally excluded informal workers targeted through another cash transfer and focused on households with formal sources of income that were recorded for tax purposes or borrowing operations. The government publicly announced the list of beneficiaries for each transfer and assigned a household member as being responsible for the collection of the transfer. The selection of the household representative was made among its legally adult members according to the following order of priority: (i) members who have an account in a preferred financial institution, (ii) adult woman, preferably under 60, (iii) adult man, preferably under 60. Since account ownership is quite low in Peru, particularly among the most disadvantaged, close to 80% of the transfers have been collected by women. Most of the payouts were conducted in person, in cash, at one of the points of collection (public and private banks). The subsidy was a fixed amount, granted as a one-time benefit both during the first and second rounds. Since eligibility was determined based on a continuous variable in both cases, we can estimate the impact of the transfers relying on a Fuzzy Regression Discontinuity Design (RDD) and define treatment status as those households that were eligible to receive the cash transfers.
- 2.6 Between March 2020 and February 2021, the Peruvian government has spent about PEN 13,000 million to support these large-scale compensatory policies. Despite these efforts, the country registered in 2020 the highest per capita death rates and biggest GDP loss in the region. As the pandemic continues and budget pressures persist, the Peruvian government urgently needs to understand if the current strategy to deliver support has been effective to help households cope with the sanitary and economic crisis. This is particularly important and urgent since delays in vaccination delivery suggest that the crisis will not be over until 2022.
- 2.7 Over the past two decades, the Bank has strongly supported the promotion and strengthening of social safety nets as a central strategy to protect the poor and vulnerable populations from negative shocks and to foster development. In addition to the direct support provided to countries in the region, the Bank has also dedicated resources to provide assistance and to

evaluate the effectiveness and targeting schemes of social programs. During the COVID-19 pandemic, the Bank has prioritized investment on existing social programs and emergency transfer programs to support minimum consumption levels for the poor and vulnerable. However, the Bank still knows little about the impact of large-scale emergency cash transfer programs in the region.

- 2.8 The impact of the transfer “Yo me quedo en casa” has already been evaluated in close coordination with the MEF. This TC will fund data collection activities to carry out the impact evaluation of the “Bono Universal Familiar”.
- 2.9 This TC is consistent with the Second Update to the Institutional Strategy (UIS) (AB-3190-2) and is strategically aligned with one of the region’s development challenges (Social exclusion and inequality) as well as with one cross-cutting issue (Gender equality and diversity) included in the Bank’s Institutional Strategy. On one hand, the research conducted under this TC will shed light on the effectiveness of unconditional emergency cash transfers to palliate the effects of adverse shocks among the most vulnerable groups. On the other hand, the study of this program will also inform the Bank about the differential effects of the transfer by gender within household. This is particularly important since the government targeted women as the household recipients of the transfer. The TC is also aligned with the Ordinary Capital Strategic Development Program for Social Development (GN-2819-1) objectives of enhancing the relevance, quality, and volume of Bank lending in support of the social sector and strengthening public institutions’ efforts to become more effective and efficient in social programming, group targeting, and social sector project execution. Since the transfers were intended to ameliorate the negative effects of the pandemic on labor market participation and earnings as well as on the spread of the contagion, this TC is also aligned with the Bank’s strategy with Peru (2017-2021) (GN-2889), particularly with the areas of productivity, with an emphasis on the labor market, and institutional strengthening and basic service delivery, with an emphasis on health. This TC is also aligned with the Corporate Results Framework 2020-2023 (GN-2727-12), particularly with the second sub-category of Operational Delivery and Results indicators at level 3, development effectiveness, and the Country Development Challenges, in relation the productivity challenges. Since emergency transfers have become the most common policy tool in the region to palliate the pandemic’s effects on household’s welfare, learning from the Peruvian experience can be extremely useful to guide ongoing policy efforts and advise governments in the region on potential palliative measures.
- 2.10 This TC will also complement existing Bank operations that support the development and implementation of policies to protect the poor and vulnerable during the pandemic, both in Peru (e.g., PE-L1262, PE-T1432, and RG-E1699) and the rest of the region (RG-T3703, BR-T1465, GU-T1314, GU-L1176, and RG-E1755, among others).

3. Description of activities/components and budget

- 3.1 **Component I: Data Collection.** This component will fund data collection efforts to evaluate the multidimensional impact of the transfer “Bono Universal”. To measure the impact of the emergency transfer, the team plans to conduct phone surveys to measure household consumption, labor market participation, physical and mental health, domestic violence, human capital investment, and intrahousehold dynamics. The instrument and fieldwork protocols implemented when collecting the data have already been developed, piloted, and successfully used when conducting the fieldwork required to conduct the impact evaluation of the transfer “Yo me quedo en casa”. This prior data collection effort yielded 5,151 complete surveys and took place between mid-November 2020 and mid-January 2021, so we expect the upcoming fieldwork corresponding to the “Bono Universal” to take approximately the same time, two months.
- 3.2 Considering the estimated discontinuity in access to the transfer based on the income variable that determines eligibility (0.4), assuming a take-up rate of the subsidy of 0.9, and power of 0.8, our power calculations yield a final target number of surveys of 1,500 households at each side of the cutoff, which will allow us to detect a MDE of 0.07. We expand the suggested sample size to a total of 6,000 households to make room for future robustness checks when estimating

the impact of the transfer. Since we expect the response rate to be close to that recorded during the fieldwork for the “Yo me quedo en casa” sample (27%), we will choose 22,222 households (6,000/3, yielding 11,111 households at each side of the cutoff) to provide the firm in charge of the data collection with sufficient phone numbers to reach the target of 6,000 successful surveys.

- 3.3 To reach the 6,000 surveys, we will prioritize those closer to the threshold and move to the right or left until we reach the 3,000 target on each side of the distribution. We will repeat the incentive strategy implemented during the “Yo me quedo en casa” fieldwork: we will randomly select 80% of the households on each side of the cut-off and offer them an incentive to answer our survey equivalent to 10 soles (2.7 USD) in megabyte cell phone recharges. We will rely on this randomization of incentives as an instrument to deal with non-response in the analysis.
- 3.4 Additionally, the team will obtain access to the records of the largest private credit bureau in Peru and match them to the individual records from the survey sample. This will allow us to measure the impact of the “Bono Universal” on access to credit and default patterns. Under the support of the MEF, the team is also seeking access to additional administrative records on the delivery of the transfers and mortality records. These two additional data sources would allow us to evaluate the differential impact of the “Bono Universal” depending on the number of transfers received as well as impact of the transfers on virus-induced mortality.
- 3.5 **Component II: Data Analysis to evaluate the impact of the Bono Universal program.** Since eligibility for the transfer “Bono Universal” was determined by the household’s income level as measured by the Ministry of Labor or the Superintendency of Banks and Insurance Companies in Peru, the proposed study will exploit a regression discontinuity design to examine the impact of the emergency transfers on vulnerable households that received the Bono Universal. Analysis of the running variable based on administrative records on eligibility has already confirmed that there is a viable RD design, with a jump in the probability to be eligible equivalent to 0.4. The distribution of the outcome variables in the support of household income around the cutoff will result in the selection of a bandwidth, within which the estimation of the effects of the transfer on household welfare will be estimated.
- 3.6 The survey instrument collects data on several dimensions of households’ wellbeing which will allow us to measure the impact of the transfer on physical and mental health (including COVID-19 morbidity and mortality), consumption patterns, labor market outcomes, children’ school enrolment and parental time allocated to aid children during remote learning activities, coping strategies, and gender equity within the household (including measures of the distribution of household tasks and prevalence of domestic violence). Administrative records from EQUIFAX will let us estimate the impact of the transfer on access and usage of financial services as well as default patterns.
- 3.7 **Component III: Knowledge dissemination.** This component will finance the dissemination of the knowledge generated by component 2 through technical publications, seminars, and data panels. We will coordinate with the MEF a set of internal roundtable discussions between the evaluation team and MEF’s public servants in which we can share the results both with the salient and incoming government to ensure that subsequent rounds of emergency transfers include the lessons learnt from this project.
- 3.8 **Expected results.** Ultimately, this TC seeks to contribute to the Bank’s positioning as a knowledge Bank that provides solid technical guidance to the region that is backed by rigorous evidence. The research developed under this TC will directly contribute to improving the Bank’s operational response to COVID-19 and future global health and economic crisis based on rigorous evidence.
- 3.9 This TC is expected to obtain the following results: (i) produce a technical note that presents the main impacts of the “Bono Universal”, (ii) produce a working paper that discusses the impact evaluation of both transfers, the bono “Yo me quedo en casa” and the “Bono Universal”, (iii) improve the Bank’s operational response to COVID-19 and future global health and economic crisis based on rigorous evidence; and (iv) contribute to the Bank’s positioning as a knowledge Bank that provides solid technical guidance to the region that is backed by rigorous evidence.
- 3.10 The total amount of funding needed (\$ 150,000 USD from Social fund) to achieve the expected outputs will be allocated to each of the components in the following way:

Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Component I	Data Collection: Phone survey and credit bureau records	120,000.00	0.00	120,000.00
Component II	Data Analysis to evaluate the impact of the Bono Universal program	20,000.00	0.00	20,000.00
Component III	Knowledge dissemination	10,000.00	0.00	10,000.00
Total		US\$150,000.00	0.00	US\$150,000.00

3.11 Since all research activities will be coordinated by RES/RES, it is sensible that the administration of the resources is centralized by the Bank.

3.12 The activities to be carried out under this TC have been included in the Procurement Plan (Annex IV) and will be executed in accordance with the Bank's procurement policies and procedures, namely: (a) hiring of individual consultants in accordance with the guidelines set out in the AM-650; (b) hiring of consulting firms of intellectual nature according to the Bank's new Policy for the Selection and Contracting of Consulting Firms for Bank-executed Operational Work (GN-2765-4) and related Operational Guidelines (OP-1155-4) and (c) hiring of logistics services and other services other than consulting, according to the policy GN-2303-28.

4. Executing agency and execution structure

- 4.1 The sector specialist responsible for execution and disbursement of this TC will be Veronica Frisancho (RES/RES). Rita Sorio (SCL/SPH) will be the designated focal point in the COF.
- 4.2 This TC responds to a request from a beneficiary, but instead of being fully executed by an Executing Agency, the Bank exceptionally and at the request of the beneficiary, agrees to be responsible for the contracting of consultancies. Under the proposed taxonomy and annex X of the GN-2629-1, this could occur under TCs that are Client Services as is the case of this operation.
- 4.3 By request of the MEF, the IDB will be the executing agency through RES/RES. The letter from the client is included as Annex I. The Bank, especially RES, has a long trajectory of impact evaluations and experience in the study of the effectiveness of social protection programs. This expertise will be exploited to ensure a strong implementation of the TC and to ensure that the findings from this project are embedded in future Bank operations, policy dialogue, and are used to promote capacity building in countries in LAC that are seeking to use technology for learning effectively.
- 4.4 The firm hired to conduct the fieldwork will be required to implement the highest data quality controls standards. Moreover, the local consultants hired to support the team in the impact evaluation will also accompany the firm during the data collection activities.

- 4.5 **Procurement.** The TC will be implemented over a period of 24 months. The Bank will contract individual consultants, consulting firms and non-consulting services to carry out the activities described. The activities to be executed are included in the Procurement Plan and will be contracted in accordance with Bank policies as follows: (a) hiring of individual consultants in accordance with the guidelines set out in the AM-650; (b) hiring of consulting firms of intellectual nature according to the Bank's new Policy for the Selection and Contracting of Consulting Firms for Bank-executed Operational Work (GN-2765-4) and related Operational Guidelines (OP-1155-4) and (c) hiring of logistics services and other services other than consulting, according to the policy GN-2303-28.
- 4.6 The activities of Component I that involve the collection of credit bureau data will be contracted hired by Single Source Selection from EQUIFAX, the private credit bureau with largest coverage in the Peruvian market. This firm has been selected to implement these activities because of multiple successful projects developed with the Bank. At this point, the firm has developed extensive experience regarding data processing of the kind we require for this project. Indeed, they provided the credit access data that was used in the impact evaluation of the transfer "Yo me quedo en casa".
- 4.7 Justification for Single Source Selection. The data required by the research project can only be accessed through EQUIFAX. As the leading private risk bureau in the country, EQUIFAX concentrates credit information from all regulated financial institutions and most of the non-regulated lenders in the market. Although non-regulated lenders are not obligated to share the credit records of their borrowers, EQUIFAX is the only firm in Peru that has been able to include over 90% of them in its records. Thus, the firm concentrates a wealth of microdata on the loans granted by most lenders in the credit market which is crucial to get a complete picture of a borrower's obligations and measure over indebtedness. Additionally, the firm has been working on a prediction model of over indebtedness on its own and their input will be extremely valuable for the research study.

5. Major issues

- 5.1 A risk that may menace the successful and timely execution of the project is related to the potential low response rate during the survey data collection. We have taken precautions to avoid that this issue affects the targeted sample size. First, we will provide extra numbers to the fieldwork team so that they are able to reach the goal of 6,000 completed surveys. Second, we plan to randomize the provision of incentives to 80% of the households in the sample. Both strategies have worked great during the data collection for the bono "Yo me quedo en casa".
- 5.2 If accessibility of the funds is delayed or the fieldwork takes longer than expected due to unforeseen circumstances, there is an underlying risk of losing the support of the MEF. This risk is minimal since (i) we already have access to the administrative records that we require to move forward, (ii) we have piloted the survey instrument and are confident about the expected implementation time, and (iii) we have survived a previous change in the administration and we plan to follow the same strategy in this case (i.e., keep open communication and prepare progress reports that can support the entering team if any changes were to be implemented after July 28th, 2021).
- 5.3 All publications emanating from this TC will follow the Bank's Publication Protocol.
- 5.4 All reports, manuals, studies, plans, drawings, data, databases, software, products and any other material prepared by consultants for the Bank under this technical cooperation (the "Works") are the sole and exclusive property of the Bank. As such the Bank has exclusive title, rights and interest in all such Works including the right of dissemination, reproduction and publication, which may be carried out pursuant to the Creative Commons IGO 3.0 licenses, in accordance with Bank regulations AM-331.
- 5.5 The proposed project is expected not to have any social risks.

6. Exceptions to Bank policy

- 6.1 This TC does not involve any exceptions to Bank policy.

7. Environmental and Social Strategy

- 7.1 The proposed project will not create environmental or social risks. According to the Environment and Safeguards Compliance Report ([OP-703](#)) this operation is classified as "C".

Required Annexes:

[Request from the Client - PE-T1478](#)

[Results Matrix - PE-T1478](#)

[Terms of Reference - PE-T1478](#)

[Procurement Plan - PE-T1478](#)