



Program Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 26-Apr-2021 | Report No: PIDA31868



BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Peru	P176387	Investing in Human Capital DPF II (P176387)	P170477
Region	Estimated Board Date	Practice Area (Lead)	Financing Instrument
LATIN AMERICA AND CARIBBEAN	24-Jun-2021	Education	Development Policy Financing
Borrower(s)	Implementing Agency		
Republic of Peru	Ministry of Finance		

Proposed Development Objective(s)

The Program Development Objective (PDO) is to support Government policies to protect and invest in human capital accumulation through: (a) improving delivery of social protection and early childhood development services; (b) increasing access to health services and ensuring continuity of care, and (c) improving teacher management and professional development systems.

Financing (in US\$, Millions)

SUMMARY

Total Financing	350.00
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DETAILS

Total World Bank Group Financing	350.00
World Bank Lending	350.00

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

- Gains in poverty reduction that Peru achieved over the last decade are at risk as disparities across the**



population widen due to the COVID-19 pandemic. For most of the 2000s, Peru's rapid economic growth, coupled with well-targeted social policies, boosted income growth among the bottom 40 percent at rates much higher than average growth. As a result, national poverty rates halved from 42.4 in 2007 to 20.2 in 2019. Yet progress in poverty reduction has been uneven across different dimensions such as place of residence, gender, and age: the poverty rate in rural areas is 26.2 percentage points higher than in urban areas, 51.2 percent of the poor are women, and 34.9 percent are children and adolescents.¹ These inequalities will be further exacerbated by the overall economic and social context brought by the COVID-19 pandemic. Peruvian households experienced one of the largest employment and income losses in the region during the pandemic.² Preliminary estimations suggest that poverty rates increased to pre-2012 levels, with children and adolescents living in rural areas experiencing the largest poverty increases (15 percentage points).³

2. In the last decade, the GoP has made significant progress in rolling out important reforms in the social sectors. These include: (a) the creation of MIDIS to provide a common framework for the development of social inclusion; (b) the adoption of a results-based budgeting (RBB) approach to strengthen the link between public spending and sector outcomes; (c) a national strategy sustained by multi-sectoral reforms to combat child malnutrition; (d) the implementation of interventions to strengthen social safety nets, improve health and nutrition of vulnerable populations, and ensure access to education for all children; (e) the approval of the Integrated Health Networks (*Redes Integradas de Salud*, RIS) Law, which sets the foundations for the articulation between facilities and level of care for assigned populations within geographical networks; (f) the universalization of health insurance by expanding the Integral Health Insurance (*Seguro Integral de Salud*, SIS) to the entire uninsured population; and (g) the approval of the Teacher Reform Law (*Ley de Reforma Magisterial*, LRM) to make the teaching career more attractive and based on meritocracy.

3. The COVID-19 pandemic revealed the fragility of human capital accumulation when faced with aggregate shocks, especially for the most disadvantaged families and children. The effects of the global pandemic have been devastating for Peru. With over 121 COVID-19 related deaths per 100,000 inhabitants as of mid-January 2021, Peru ranks high in death rates globally.⁴ Yet, not all families have been affected equally by the pandemic. The most disadvantaged families, who could not cope with stay-at-home orders, were exposed to unemployment (28 percent of workers had lost their job), reduced income (81 percent of households had a drop in their total income), and food insecurity (43 percent of adults in households with children skipped a meal due to lack of money).⁵ In addition, at the onset of the pandemic, these disadvantaged families, who largely rely on public health services, public schooling and other programs as a social safety for their children, no longer had full access to these services once nationwide school closures were mandated in March 2020 (affecting 8 million school-aged children). Consequently, the socioemotional and cognitive outcomes of children of disadvantaged families have suffered tremendously. These children have seen higher rates of distress and domestic violence in their household, and have had limited access to mental health, preventive medicine and vaccination services.⁶ Children in the lowest socio-economic quintile, who are more likely to lack adequate access to remote learning opportunities and childcare arrangements, are expected to face learning losses equivalent to 0.9 learning adjusted years of schooling (LAYS), which represent an estimated annual earning loss of approximately US\$626.7 (compared to 0.8 LAYS and US\$590.7 earning loss for the highest quintile).⁷ The combination of being out of school, lack of access to health and social protection services, the loss of family livelihoods and parental and child distress during early life caused by the

¹ INEI (2020). Resultados de la pobreza monetaria. <https://bit.ly/3rSjLvg>

² World Bank COVID-19 High Frequency Monitoring Dashboard. Data collected from 13 LAC countries.

³ UNICEF (2020). COVID-19: Impacto en la pobreza y desigualdad en niñas, niños y adolescentes en el Perú. Estimaciones 2021. Reporte técnico. <https://uni.cf/2OXm8y4>

⁴ Coronavirus Resource Center at the John Hopkins University, as of January 15, 2021, Peru's death rate was 11th highest in the world and the highest in the region.

⁵ World Bank "COVID-19 High Frequency Monitoring Dashboard." The World Bank Group, Washington DC, 2020.

⁶ Inter-American Development Bank (2020). *Educación inicial remota y salud mental durante la pandemia COVID-19*.

⁷ Estimation using the Country tool for simulating potential impacts of COVID-19 school closures on schooling and learning outcomes.



pandemic can permanently reduce levels of human capital across the country and push the next generation into poverty.

Relationship to CPF

4. The proposed DPF is fully consistent with the World Bank Group’s Country Partnership Framework (CPF) for Peru for the period FY17–FY21 (Report No. 114798-PE, discussed by the Board of Executive Directors on May 2, 2017) and with its Performance and Learning Review (Report No. 135267-PE, discussed by the Board of Executive Directors on April 25, 2019). This operation would be instrumental in influencing the outcomes identified under Pillar 1 of the CPF: Productivity for Growth, especially those under Objective 3, which aim to facilitate the absorption of skills and technology.

5. The proposed DPF is fully aligned with the Bank’s COVID-19 crisis response outlined in the Approach Paper, and the GoP’s program to respond to the crisis, as well as their recovery efforts (Annex 7). The policy and institutional reforms supported in this DPF are aligned with the strategic framework for the Bank’s COVID-19 crisis response outlined in the Approach Paper, specifically with its Pillars 2, 3 and 4, at all three stages and outlined in the Peru Country Program Adjustment Responding to COVID-19. The policy actions supported by this DPF directly complement a number of initiatives among the Bank’s broader support to Peru in the COVID-19 context. For example, actions to support teacher adaptation to shocks for teaching and learning continuity are foundational pillars for the distance learning program that Bank technical assistance is informing. Moreover, supporting the national vaccination programs complements efforts to strengthen the health sector’s surveillance capacity.

C. Proposed Development Objective(s)

The Program Development Objective (PDO) is to support Government policies to protect and invest in human capital accumulation through: (a) improving delivery of social protection and early childhood development services; (b) increasing access to health services and ensuring continuity of care, and (c) improving teacher management and professional development systems.

Key Results

6. The DPF is structured around three pillars which aims to strengthen country-wide policies to sustainable interventions from early childhood to adolescence that can improve children development, overcome the gaps in their cognitive, social, physical and emotional development, and achieve their full potential when they are ready and healthy to go on the job market.

D. Project Description

7. Pillar 1 addresses critical factors that limit the access of young children to Early Childhood Development (ECD) and social services, preventing the next generation from reaching their developmental potential and readiness to school. The pre-pandemic context in which the first Investing in Human Capital DPF (P170477, Loan 9068-PE, DPF 1) was prepared had identified policy areas with key bottlenecks that prevented the alignment of interventions to a common programmatic results framework, access and use of data for the timely identification of eligible young children, and adequate governance and institutional arrangements for the delivery of safety nets and social services. The proposed operation continues to support these complementary policy areas and includes an additional area that corresponds to policy actions related to the COVID-19 crisis response. Policy areas in this pillar include: (i) establishing a multisectoral Results-based Budgeting Program for ECD (RBB-ECD); and (ii) expanding ECD programs to respond to the pandemic; Policy Area 1 is essential to address the fragmented, uncoordinated, and poorly targeted ECD interventions at the start of a child’s human capital development trajectory. Policy Area 2 is essential to mitigate potential setbacks to ECD policies and,



therefore, human capital accumulation, by maintaining access to services for the most disadvantaged.

8. Pillar 2 supports the public health system to increase service access and ensure continuity of care. Previous efforts to increase access to health services have concentrated on expanding physical infrastructure across the country and providing financial access through the expansion and, ultimately, universalization of the SIS. While public health related actions were not supported in the pre-pandemic context in which DPF 1 was prepared, the pandemic revealed barriers to access that were less evident than a shortage of facilities or lack of financial access. Under abnormal or suboptimal conditions such as those brought about by the pandemic, the health sector cannot properly reach the population when mobility is restricted, when circumstances merit prompt and flexible response, or when a service is to be delivered to the most remote locations in the country. Policy areas under this pillar aim to address these barriers to access and ensure continuity of care. These include (i) increasing access to health services through telemedicine; (ii) improving health personnel deployment; and (iii) establishing, monitoring, and implementing nationwide vaccination programs. These reforms are expected to significantly contribute to removing access bottlenecks and allowing the system to meet a greater portion of health needs. In the short term, meeting such needs is essential to mitigate damage caused by COVID-19 and therefore protect human capital for both children and their families. In the medium term, these measures are expected to contribute to human capital development, as they will increase resilience in the health sector to meet health needs even under the stress of future disease outbreaks or natural and climate-related disasters.

9. Pillar 3 supports the institutional foundations to achieve effective teacher development by improving teacher management and the support teachers receive through their career. The pre-pandemic context in which DPF 1 was prepared had identified policy areas to address key bottlenecks for ensuring quality of teaching and learning along the child's life trajectory from early childhood to adolescence, enhancing his/her human capital. The proposed operation continues the support to these complementary policy areas and includes an additional area that corresponds to policy actions related to the COVID-19 crisis response. The policy areas supported by this DPF in this pillar are: (i) enhancing teacher allocation; (ii) supporting teaching adaptation to shocks for learning continuity; (iii) integrating education information systems for improved teaching and learning; and (iv) strengthening managerial and pedagogical support to teachers. The additional policy area aims to provide teachers with tools to better adapt their teaching to the changing environment, benefitting the most vulnerable children and youth, and protecting and enhancing their human capital, by supporting learning continuity and a more resilient education system.

E. Implementation

Institutional and Implementation Arrangements

10. The Ministry of Finance (*Ministerio de Economía y Finanzas, MEF*) is responsible for the implementation of the program supported by the DPF. As the main implementing agency, the MEF will coordinate with other government agencies involved in the implementation of the DPF, including Ministry of Education (MINEDU), Ministry of Social Development (MIDIS) and Ministry of Health (MINSAs). Together with the MEF and the National Institute for Statistics and Informatics (*Instituto Nacional de Estadística e Informática, INEI*), these institutions will collect the necessary data to assess implementation progress and evaluate results.

F. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

1. This DPF supports actions that are expected to have largely positive or neutral direct effects on poverty in the short term and positive impacts in the long term. The potential effects of the reforms supported under this operation are estimated to have an overall positive direct effect on poverty, with impacts in the short-term and long-term from



increased human capital. Prior Actions in Pillar 1 are expected to have positive direct effects on poverty and inequality in the short and medium term as well as positive impacts in the long term. For instance, it is well established in the international literature that early childhood experiences have effects on brain development as well as long-lasting impacts in development outcomes such as learning, health and behavior. This will especially affect young children in disadvantaged areas as well as poor and vulnerable groups. Moreover, stronger institutions will contribute to the long-term sustainability of social spending which will help on the road to poverty reduction. With evidence on the linkages between low levels of education and poverty in Peru, reforms in Pillar2 are expected to have a positive direct effect on poverty. Educational achievement is lower among the poor in Peru: while around half of the poor have primary education or less, one quarter of the non-poor do. Among children, progress has been made over the past decade in narrowing gaps in school attendance between socio-economic groups,⁸ but learning outcomes in Peru remain low overall, and particularly low for children of lower socio-economic status.⁹ While actions in Pillar 3 aimed at improving teacher quality and thus learning outcomes among children will not have direct effects on household income in the short-term, they are expected to increase the income-generating capacity of children in the long-term, particularly those of lower socio-economic status attending disadvantaged schools, with positive implications for their access to economic opportunities and living standards, but also for the productive capacity of the Peruvian economy. Prior Actions in Pillar 2 are expected to address persisting restrictions to healthcare among the population. This Pillar supports mechanisms to reach the population overcoming suboptimal mobility conditions for health-seeking, the need of comprehensive delivery of sensitive biologics, and anomalous surges in demand. In turn, these mechanisms contribute in mitigating losses from the COVID-19 pandemic and instill resilience and equity in the health sector's capacity to strengthen human capital even when confronted with shocks in the long-term.

Environmental, Forests, and Other Natural Resource Aspects

11. The policy areas supported under this DPF are not expected to have significant direct effects on Peru's environment, forests, or other natural resources. The majority of the actions are likely to have a neutral impact on Peru's environment, given the focus on promoting policies related human capital accumulation through social protection, teacher management, and national systems for public health preparedness.

G. Risks and Mitigation

12. This operation entails an overall moderate level of risk. The key risk assessments are included in Table 5 below. The major risks identified include: (i) political and governance, (ii) sector strategy and policy, and (iii) institutional capacity for implementation and sustainability. Risks will be monitored during preparation and implementation of the operation, and mitigation measures will be put in place to reduce their potential impact. These include both the alignment between the GoP, line ministries, and a broad national consensus on the supported policies, and a strong technical dialogue with line ministries and subsequent support in the implementation of the planned reforms.

CONTACT POINT

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⁸ Data from household surveys from 2007 to 2017 in the document by INEI "Evolucion de la pobreza monetaria 2007-2017".

⁹ OECD PISA 2018.



Borrower/Client/Recipient

Republic of Peru

Implementing Agencies

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APPROVAL

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