

inshoort



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For consistency, as part of the Capital Project activities, we asked five young consultants in the countries where the program is implemented (Peru, Ecuador, Colombia, Chile and Mexico) to carry out assessments of four areas: poverty and social policies; conditioned transfer programs; the relationship between conditioned transfer programs and the financial system; and characteristics of the financial system in relation to the savings of the poor.

COUNTRY ASSESSMENT: PERU*

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CURRENT STATE OF POVERTY IN PERU

Since 2002, Peru's macroeconomic stability and sustained GDP growth have allowed the government to pursue policies benefiting the poorest sectors of the country.

In 2007, according to INEI¹, 39 percent of Peru's 29 124 335 inhabitants were poor, down five points from the previous year's figure. However and despite the macroeconomic stability and the apparent decrease in the number of poor people, rural poverty still exceeds 65 percent. In addition, most of the people in poverty and extreme poverty live in the rural highlands (6 570 449 Peruvians).

1. Instituto Nacional de Estadística e Informática (National Institute of Statistics and Computing).

SOCIAL POLICIES FOR COMBATING POVERTY IN PERU

The entities responsible for carrying out initiatives, guidelines, projects and programs for rural development and overcoming poverty are the Ministry of Economy and Finance (MEF), the office of the President of the Council of Ministers (PCM), and the Ministry of Women and Social Development (MIMDES). The problem is that none of these institutions have created a specific division to coordinate and facilitate programs and strategies to counter poverty.

* The complete document is available at The Capital Project web page: http://proyectocapital.org/index.php?fp_verpub=true&idpub=115

Nevertheless, there are various social programs aimed at the extreme poor rural population. These are not necessarily government initiatives; they are also supported by international cooperation agencies.

Foncodes² (part of MIMDES) has created various programs such as “Bettering your Life,” “Socioeconomic Micro-Corridors,” the “Puno-Cusco Corridor Project,” etc., with financing from the IDB, IFAD, or the government.

MINAG³ has also implemented various programs for rural development and struggle against poverty, such as PRONAMACHS, PROALPACA, MARENASS, etc.

CONDITIONED CASH TRANSFER PROGRAMS IN PERU

In addition to those programs, which are carried out in cooperation with the national government, Peru has a conditioned cash transfer program called JUNTOS, the National Program of Direct Assistance for the Poorest Peruvians. The goal is to promote the rights of the most vulnerable population through a subsidy of S/. 100 (approximately USD\$ 30) to be used as the recipient sees fit, but subjected to the condition that mothers and their children participate in and meet requirements of health programs (complete vaccinations, vitamin supplements for children, prenatal and postnatal checkups); education (85 percent school attendance); nutrition (growth and development chec-

kups for children until age five, etc.); and citizenship (participation in the “My Name” program for children and adults who lack birth certificate or identity papers). This program is part of the national strategy “Cre-cer” (“Growing”) to fight poverty and child malnutrition.

So far, JUNTOS has reached 408 961 extremely poor households in 638 rural districts in 14 departments in the country, and has transferred a total of US\$ 81 074 448.

How are beneficiaries selected? Targeting is done in several stages:

- i) INEI carries out a socioeconomic study to identify beneficiaries.
- ii) Based on the INEI data, pregnant women, widows and guardians of children under age 14 are chosen.
- iii) Another filter is applied to identify the level of poverty or extreme poverty of the people selected.
- iv) The list of potential beneficiaries is submitted to the National Registry of Identification and Marital Status (Registro Nacional de Identificación y Estado Civil, RENIEC) to verify the data.
- v) Regional and/or district representatives hold validation assemblies with the population to define the level of poverty of the selected families.
- vi) Finally, a workshop is held to explain the conditions of the cash transfer. People

2. Fondo de Cooperación para el Desarrollo Social (Cooperation Fund for Social Development).

3. Ministry of Agriculture.

4. Public company within MEF, whose goal is to manage subsidiary accounts of the Public Treasury and provide the central government with banking services for the administration of public funds.

accepted into the program sign agreements.

JUNTOS delivers the subsidy through the Banco de la Nación (BN),⁴ by two possible ways: i) through the network of 156 agencies and one corresponding entity; or ii) through cash transportation companies, with 263 mobile payment points.

RELATIONSHIP BETWEEN THE JUNTOS PROGRAM AND THE PERUVIAN FINANCIAL SYSTEM

Although the JUNTOS subsidy is only delivered through BN offices, there are some problems with the bank's customer service.

The main problem is that most BN staff does not speak the beneficiaries' language (Quechua or Aymara), therefore, JUNTOS promoters must go to the bank on payment day, taking time away from their duties regarding the supervision of the fulfillment program's conditions. Another problem is that the bank's staff does not thoroughly understand how the incentive payments work, and there have been cases in which the beneficiary did not receive the subsidy because the staff assumed that they no longer needed it and did not disburse the amount when the beneficiary went to the bank on subsequent occasions.

In addition, although the BN offers a variety of products, such as savings accounts, loans to public employees, bank drafts, payment of public services, etc., beneficiaries neither know about them nor have access to them. The card provided to the program's beneficiaries cannot even be used in the bank's

automatic teller machines; it only serves as identification.

"OPPORTUNITIES" FOR USING SAVINGS ACCOUNTS BY THE POOREST SEGMENTS OF THE PERUVIAN POPULATION

The Peruvian financial system consists of 54 institutions,⁵ all of which are regulated and supervised by the Office of the Superintendent of Banking and Insurance (Superintendencia de Banca y Seguros, SBS). Peruvian financial institutions have various passive products with standard characteristics. There are differences among interest rates by product, however, because the SBS allows financial institutions to set their own rates, which are generally determined by the targeted clientele and the size of the financial institution.

The most interesting segment of the financial system is currently the microfinance sector (CMAC, CRAC, EDPYME and small banks), which has shown growing interest in rural portfolios, neglected since the Agrarian Bank was dissolved in 1992. This new approach of microfinance institutions has led to diversify services, with new technologies to reduce and manage risks, or simply to enter these areas through savings programs, channels for payments and money transfers, before offering loans.

Requirements for opening savings accounts are highly flexible: anyone with a national

5. 16 banks, three financial companies, 12 municipal savings and loans (CMACs), one municipal savings and loan (CMCP), 10 rural savings and loans (CRACs), and 13 agencies for development of small businesses and microenterprises (EDPYMES).



identify document (DNI),⁶ or, if a minor, a copy of the birth certificate and a guardian with a DNI, can open a savings accounts. Minimum amounts for opening accounts vary, some can be opened with as little as S/. 10 (approximately US\$ 3), in the case of CRACs; or S/. 20 (approximately US\$ 6), in the case of CMACs. Furthermore, some banks do not set a minimum requirement.

Despite this new approach by financial institutions, however, many people in rural areas still lack access to these services for three reasons mainly: i) they are not aware of their existence, ii) they do not trust them; and iii) costs are too high. Lack of knowledge is due to lack of information about the products offered by financial institutions, as most people know about lending services but not about savings programs. Distrust is due

to bad precedents and lack of direct service. High transaction costs are the result of poor transportation and communications infrastructure, especially in the poorest areas.

Therefore, it can be said that currently, rather than providing opportunities for poor sectors, the microfinance system places limitations on the use of savings accounts.

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6. National Identification Document (Documento Nacional de Identidad, DNI).



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