



COVID-19 G2P Cash-Transfer Payments Country Brief: PERU

COVID-19 Cash Transfer Response Measures

EXISTING CASH TRANSFER PROGRAMS

Since its creation in 2011, the Ministry of Development and Social Inclusion (MIDIS) has been the governing body of social protection in Peru, with responsibility for the three largest conditional transfer programs. The largest program, JUNTOS, reaches around 724,000 households in poverty and vulnerable conditions, providing a bi-monthly transfer of approximately US \$57². Over 80 percent of JUNTOS beneficiaries receive the cash transfer in their *Banco de la Nación* (BN) savings account. JUNTOS beneficiaries receiving account-based transfers all own a debit card which can be used at BN ATMs and BN banking agent.

EMERGENCY CASH TRANSFER PROGRAM

Peru declared a State of Emergency on March 16th, 2020, initiating a 14-day quarantine period and taking different measures to resolve the health response and in turn reduce the impact on the economy, especially in the vulnerable households. The country has launched 2 programs in response to the COVID-19 crisis:

- ***Yo me quedo en casa (I stay home)*** - Through the Emergency Decree N 027-2020, the Peruvian Government approved an exceptional transfer of approximately US \$108 directed to 2.7 million poor and non-extreme poor households, which will be implemented through MIDIS.
- ***Bono Independiente (Temporary Bonus)*** - On March 27th, 2020, through Emergency Decree No. 033-2020, the Ministry of Labor granted to 780,000 households with self-employed workers who have not benefited from the first subsidy, a transfer of the same amount (US \$108).

¹ This note was prepared by Fiorella Risso and Douglas Randall, with contributions from Guillermo Galicia, Hugo Brousset, and Veronica Trujillo. The G2P emergency cash transfer payment solution in Peru is evolving in real time. This note includes information as of April 23, 2020.

² Exchange rate of US\$1 = PEN 3.53 valid June 23, 2020.



OTHER EMERGENCY INITIATIVES

Other measures have been adopted as part of the State of National Emergency. An exceptional withdrawal of funds in the Private Pension System has been declared. Employees with suspension of work and those who have not contributed over the past 6 consecutive months, are allowed to withdraw its fund up to US \$567, in 2 periods. In addition, the government has authorized the withdrawal of up to \$680 from the CTS accounts (*Compensación por Tiempo de Servicios*), which is a fund to protect to the employee when they are unemployed. For dependent employees who earn up to US \$425 monthly, they will receive a subsidy equivalent to 35% of their salaries. Finally, the government has approved a subsidy of US \$215 targeting 1 million households in a vulnerable situation and living in rural areas.

Targeting and Registration

“YO ME QUEDO EN CASA” PROGRAM

Peru has a National Household Register of the Household Targeting System (Sisfoh, *Sistema de Focalización de Hogares*) which covers more than 80% of the Peruvian population. Eligibility for the subsidy “*Yo me quedo en casa*” was established based on Sisfoh covering households in poverty or living in geographical areas with high health vulnerability defined by the Ministry of Health. The subsidy is provided to households and collected by a member from each home, mostly women between 18 and 60 years old. The register with the total number of households that will receive subsidy is approved by Ministerial Resolution. Subsequently, it is uploaded on a platform “*Yomequedoencasa*” enabling beneficiaries to review eligibility using their National Identity Card (DNI) number and the date of birth.

“BONO INDEPENDIENTE” PROGRAM


For the “*Bono Independiente*” program for the self-employed, the Ministry of Labor has also targeted the beneficiaries based on their information included on Sisfoh cross-verified with different administrative databases. As the subsidy is meant to support formal and informal workers, a methodology to minimize exclusion and address the lack of information due to informality was applied. For this purpose, the registry was composed of households in which members have an income of less than 1,200 PEN, according to the Tax Administration National Superintendence (Sunat) and the Banking Superintendence, Insurance and AFP (SBS). They additionally removed households in which members are on public or private sector payrolls, according to the Ministry of Labor, or have a contract with the public sector, according to information from the Ministry of Economy and Finance. The resulting beneficiary database is approved by Ministerial Resolution and sent to *Banco de la Nación* (BN, a state-owned bank) which is responsible for the payment.

Payments arrangements

“YO ME QUEDO EN CASA” PROGRAM

After reviewing eligibility on the online platform adapted by MIDIS, beneficiaries receive specific information on the disbursement: day, time, bank branch, address. Bank branches have been selected through a geographic localization method which allows people to go to the bank branch closest to their home. A staggered payment schedule was used to address the need of minimizing risk of contagion of Covid-19.

The payment has been carried out by the four largest private banks and the state bank of the country. Over 500 000 beneficiaries with an existing account in *Banco de la Nación* (BN) receive the bono in their



accounts. Cash-out was allowed from existing financial institution ATM network with no charges, and BN banking agents as well. In order to ensure liquidity for banking agents, the government has, through the BN, granted credit lines, which were offered to selected agents. The majority of beneficiaries without BN accounts received cash in hand (over the counter – OTC) in bank branches showing their ID card.

The decision to disburse the cash transfer via OTC payments was partly the result of MIDIS facing several legal and operational barriers to quickly scale up account-based payments. First, most banks did not have remote account opening procedures in place, and banks were reluctant to encourage account opening in branches due to agglomeration concerns. Second, there were challenges related to the retraction of funds in case they were not withdrawn by the intended beneficiary. The government, having transferred the funds into an account is not able to withdraw the funds without the approval of the holder. As per the significant probability of cases in which the funds would not reach the beneficiary (deceases, prison, severe disabilities among other), MIDIS decided not to open accounts. In addition, arrangements were not made to ensure that banks would not seize funds transferred to the account of a beneficiary with existing debts to the financial inclusion.

As of late April, MIDIS was revising the model for the second payment and is expected to include more providers (i.e. smaller banks and microfinance institutions), more efficient use of existing accounts (at any financial institution), as well as encourage unbanked beneficiaries to open mobile wallets to receive their funds. Mobile wallet providers are also in the process of expanding their agent networks and building USSD platforms to enable widespread uptake of the product.

“BONO INDEPENDIENTE” PROGRAM

The Ministry of Labor, together with the National Registry (RENIEC) and BN, have implemented a new platform “*Bono independiente*” to review eligibility for the subsidy. Beneficiaries’ identity validation is then carried out through RENIEC (ID card number and name).

Currently, the only FSP for the disbursement strategy is BN. As for MIDIS payment, beneficiaries with an account in BN received the transfer directly into their accounts. For those who did not have an account, BN opens temporary, limited functionality, mobile accounts linked to the mobile number of the beneficiary. The beneficiary receives a link and code through SMS connecting them to the USSD mobile platform. By inserting the code in the system, the beneficiary can select withdrawal options and get their payments from the selected access point. The temporary account allows certain functionalities in relation to payments as well as the partial or total withdrawal of the subsidy. Beneficiaries can also made transfers between BN accounts as well as making payments for basic services. Legal restrictions prevent BN from opening fully functional basic accounts for beneficiaries.