



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 19-Mar-2019 | Report No: PIDC26664



BASIC INFORMATION

A. Basic Project Data

Country Peru	Project ID P170477	Project Name Investing in Human Capital (P170477)	Parent Project ID (if any)
Region LATIN AMERICA AND CARIBBEAN	Estimated Board Date Jun 27, 2019	Practice Area (Lead) Education	Financing Instrument Development Policy Financing
Borrower(s) The Republic of Peru	Implementing Agency Ministry of Finance		

Proposed Development Objective(s)

The Program Development Objectives of the DPF series are to strengthen multi-sectoral strategies to develop effective policies for human capital accumulation by (i) supporting teachers in their professional development and strengthening managerial and pedagogical support for teachers, and (ii) strengthening territorial coordination, targeting, and anemia reduction programs to guarantee access to social protection services for the more vulnerable populations.

Financing (in US\$, Millions)

SUMMARY

Total Financing	150.00
------------------------	--------

DETAILS

Total World Bank Group Financing	150.00
World Bank Lending	150.00

Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country Context

1. Peru's macroeconomic policy framework is deemed adequate and sustainable over the medium-term. Nonetheless, the positive macroeconomic outlook is vulnerable to downside risks, which come predominantly from the external environment. Growth prospects, and thus poverty reduction trends, could potentially be affected by lower



commodity prices or a sudden capital outflow. These events could be linked to an introduction of new trade protectionist measures, a growth slowdown in China, an accelerated tightening cycle in the US, or contagion effects coming from other emerging economies. Domestic risks, stemming from the political situation have declined in 2019 compared to the previous year. Nonetheless, the political situation remains fragile amid multiple corruption investigations including the highest ranked government official. Labor markets have not fully recovered, with additional risks come from increased migration inflow of Venezuelan refugees, which could impact labor market conditions within certain sectors and lead to higher demand for Government services.

2. Poverty and inequality dropped dramatically over the last decade, yet there are still large disparities across populations and regions. Peru – an early adopter of the human capital project - still has relevant gaps in areas that are critical for human capital accumulation. 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 mean growth. As a result, poverty rates halved from 42.4 in 2007 to 20.7 in 2016, and inequality fell substantially (from 0.50 to 0.44 in that period). More recently, modest economic growth, a stagnation of the labor market, and a halt in the expansion of social spending stopped the longtime trend of poverty reduction. The total national poverty rate increased from 20.7 in 2016 to 21.7 percent in 2017. While Metropolitan Lima was the most affected area by the increase in poverty, rural areas have higher poverty rates, overall, than urban areas (around 30 percentage points higher). Beyond the recent trends, inequalities in assets and access to quality services and markets remain a challenge, including spatial inequalities, by sex and ethnic groups. The Human Capital Index (HCI)¹ - which conveys the productivity of the next generation of workers compared to a benchmark of complete education and full health – estimates that a child born in Peru today will be 59 percent as productive when she grows up as she could be if she enjoyed complete education and full health.² Peru has made significant progress in children and adult survival rate (99 percent of children born survive to age 5, 88 percent of 15-year-olds will survive until age 60) as well as healthy growth (87 percent of children are not stunted)³. But other important factors associated with cognitive performance and learning difficulties show that there is still much progress to be made: for example, the percentage of children from 6 to 35 months with anemia amounts to 44. Similarly, education indicators show deficiencies: on average, children who start school at age 4 can expect to complete 12.7 years of school by her 18th birthday, but factoring in what children actually learn, expected years of school is only 8.3 years – a learning gap of 4.4 years. Figure 1 shows how Peru compares against other countries. Furthermore, a disaggregated picture of human capital stock in Figure 2 shows large within-country regional disparities.

3. The GoP has made important progress in strengthening the capacity of its social sector to roll out social policies in recent years, but there is still much to do to achieve the full potential of its reforms. In 2011, the GoP created a Social Inclusion and Development sector (along with MIDIS) to provide a common framework to the highly fragmented social inclusion interventions.⁴ Several safety net programs that targeted children and their families were implemented, such as the ECD program *Cuna Mas* (children under 4), the school feeding program *Qali Warma*, and the Conditional Cash Transfer program *Juntos* which contributed to reduce stunting levels throughout the country. In parallel, the GoP also underwent

¹ The HCI is made up of five indicators: the probability of survival to age five, a child’s expected years of schooling, harmonized test scores as a measure of quality of learning, adult survival rate, and the proportion of children who are not stunted

² Between 2012 and 2017, the HCI value for Peru increased from 0.54 to 0.59

³ In less than 10 years, Peru managed to reduce its stunting rate to less than half in children under the age of 5 (27.5% to 13.1% from 2008 to 2016). Nevertheless, 20% of children in rural areas still suffer from this disease.

⁴ Since then, MIDIS was able to install and/or consolidate important systems to improve the internal management processes of the social inclusion sector, and the transparency and accountability of its programs. The World Bank accompanied the process of consolidation of programs by MIDIS by establishing a Social Inclusion DPL which included key policy reforms, such as the elaboration of the first National Social Inclusion policy “Incluir para Crecer”, and the consolidation of the Targeting System SISFOH (Sistema de Focalizacion de Hogares). Along with the DPL, a Technical Assistance Loan (TAL) was triggered to provide support to operational processes and programs needed.



major reforms in the education system starting in 2012, which were organized in four pillars: (i) reevaluating the public teaching career by promoting meritocracy and enhancing career benefits for teachers, (ii) enhancing management at all levels of public administration through incentives and technical assistance, (iii) closing the school infrastructure and equipment gap through public-private partnerships and reducing tax payments for companies that invest in school infrastructure, (iv) improving student learning outcomes by promoting a set of comprehensive policies such as the full school day, improving quality of education in rural bilingual areas of Peru, and facilitating access to new technologies. Despite having contributed to improvements in service delivery, these reforms have yet to reach their full potential. Development strategies will have to rely on investments in the human capital of Peru's future generation through an articulated approach across sectors at the national level to sustain gains in economic growth and to address disparities in poverty reduction over time.

Relationship to CPF

4. The proposed DPF is fully consistent with the WBG Country Partnership Framework for Peru covering the period FY17-FY21 (Report No. 112299-PE). This Operation would be instrumental in influencing the outcomes identified under Pillar I of the CPF: Productivity for Growth, especially those under Objective 3, which aims to facilitate the absorption of skills and technology. Ongoing Bank engagements that the proposed Operation would complement include the Boosting Human Capital and Productivity DPF-DDO (FY16), the Peru HD Flagship: Evaluating Education Incentives and Reform (FY19), and several recently completed operations.

5. The proposed DPF is also fully consistent with the WBG's strategy to eradicate extreme poverty and promote shared prosperity. Reforms aimed at accelerating progress toward the achievement of these twin goals would be strengthened through many of the proposed prior actions and triggers described in the policy and results matrix (Annex 1). In particular, reforms under pillar 1 of the proposed DPF—which aim to support teachers' professional development and strengthen their support systems—would promote shared prosperity by raising the quality of teaching benefiting all of Peru's school children and eventually helping to narrow the learning gaps affecting the most disadvantaged children. Reforms under pillar 2—which aim to strengthen social protection systems to aid the most vulnerable populations—would reinforce the GoP's current and proposed anti-poverty programs.

C. Proposed Development Objective(s)

6. To strengthen multi-sectoral strategies to develop effective policies for human capital accumulation by (i) supporting teachers in their professional development and strengthening managerial and pedagogical support for teachers, and (ii) strengthening territorial coordination, targeting, and anemia reduction programs to guarantee access to social protection services for the more vulnerable populations.

Key Results

7. The DPF is structured around two 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 to go on the job market.



D. Concept Description

8. The DPF is aligned with the GoP's long term development plan, captured in the Bicentennial Plan: Peru to 2021.⁵

The Plan, published in March 2011, presents long term objectives along six strategic axes: (i) citizen's rights and dignity; (ii) opportunities and access to basic services; (iii) state and governance; (iv) economic growth, competitiveness, and employment; (v) regional development and infrastructure; and (vi) natural resources and environment. This operation supports key reforms under the strategic axes (ii) and (iv) of the Bicentennial Plan. The parallel and complementary DPF-DDO supports key reforms under the strategic axes (iii) and (v).

9. Pillar 1 aims to support teachers in their professional development and strengthen managerial and pedagogical support for teachers.

Policies aim to enhance the teacher career policy framework by (i) making the teacher career more attractive by improving education services provided at Teacher Training Colleges and strengthening the quality of teacher graduates entering the profession; (ii) improving the allocation of jobs across schools and optimizing the allocation of teachers to schools; and (iii) measuring teacher performance and making better use of teacher evaluations. These interventions are complemented by interventions to improve resources and support systems for teachers, namely: (i) guaranteeing interoperability of systems at MINEDU and establishing an open-source digital infrastructure foundation that will enable the implementation and monitoring of digital products for teacher development; (ii) strengthening the career track for school principals and pedagogical specialists to ensure high-quality support to teachers; (iii) restructuring of roles and responsibilities, and personnel professional standards of local authorities (UGELs) to ensure availability of high-quality local services to schools and teachers.

10. Pillar 2 aims to strengthen territorial coordination, targeting and anemia reduction programs to guarantee access to social protection services for the most vulnerable populations.

A new Social Inclusion policy, to be launched in 2019, aims to strengthen the coordination role of MIDIS, both intra-sectoral and inter-sectoral, and expand at the same time MIDIS' target population from the poor (21.7%) to the vulnerable (54.3%). These policies would (i) increase the territorial coordination of social programs, along with other interventions from health, education, water and sanitation, housing and others; and (ii) restructure and remodel a comprehensive National Targeting System, SINAFO, incorporating different databases from other sectors of the National Government and different types of targeting methods (geographical, categorical, etc.) to address multifaceted types of risks, opening the scope of the social inclusion system to different types of vulnerabilities that could affect households or lead them into poverty. Furthermore, the GoP has established effective interventions through 8 programs to be implemented by various ministries and departments at the central and decentralized levels, aiming to reduce anemia levels among pregnant women, adolescent girls and young children. These areas are considered high priorities for the Social Development and Inclusion sector in Peru, as they would boost the installment of a National Social Development and Inclusion System (SINADIS), increase efficiency and coordination of social programs with an emphasis on the most vulnerable, and secure an integrated delivery of preventive service to reduce anemia prevalence, which directly affects the capacities and future opportunities of young children in Peru.

E. Poverty and Social Impacts and Environmental Aspects

Poverty and Social Impacts

11. 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

⁵ http://www.mef.gob.pe/contenidos/acerc_mins/doc_gestion/PlanBicentenarioversionfinal.pdf



are estimated to have an overall positive direct effect on poverty, with impacts in the short-term and long-term from increased human capital. With evidence on the linkages between low levels of education and poverty in Peru, reforms in Pillar I 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,⁶ but learning outcomes in Peru remain low overall, and particularly low for children of lower socio-economic status.⁷ While actions in Prior Actions 1 through 6 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.

CONTACT POINT

World Bank

Renata Freitas Lemos, Igor Kheyfets
Senior Economist

Borrower/Client/Recipient

The Republic of Peru
Carlos Augusto Oliva Neyra
Minister of Finance
ministro@mef.gob.pe

Implementing Agencies

Ministry of Finance
Carlos Augusto Oliva Neyra
Minister of Finance
ministro@mef.gob.pe

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

⁶ Data from household surveys from 2007 to 2017 in the document by INEI “Evolucion de la pobreza monetaria 2007-2017”.

⁷ OECD PISA 2015.



APPROVAL

Task Team Leader(s):

Renata Freitas Lemos, Igor Kheyfets

Approved By

Country Director:

Alberto Rodriguez

29-Mar-2019