

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**PERU**

**RESULTS-BASED MANAGEMENT PROGRAM FOR  
SOCIAL INCLUSION II**

**(PE-L1154)**

**LOAN PROPOSAL**

This document was prepared by the project team consisting of: Frederico Guanais (SPH/CPE), Project Team Leader; Pablo Ibararán (SCL/SPH); Carolina González (SCL/SPH); Leonardo Pinzón (SPH/CPN); Maria Caridad Araujo (SCL/SPH); Luis Tejerina (SPH/CHO); Omar Zambrano (CAN/CPE); Fernando Glasman (FMP/CPE); Javier Jiménez (LEG/SGO); Jorge Saldaña (CAN/CPE); and Sheyla Silveira (SCL/SPH).

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1.	Policy Letter <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39550622">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39550622</a>
2.	Means of verification <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39387991">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39387991</a>
3.	Results Framework <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39388003">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39388003</a>
<b>OPTIONAL</b>	
1.	Economic analysis <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39388007">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39388007</a>
2.	Monitoring and evaluation arrangements <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39388005">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39388005</a>
3.	Comparative matrix <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39388325">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39388325</a>
4.	Safeguard policy filter report <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39400286">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39400286</a>
5.	References <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39400158">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39400158</a>
6.	“Incluir para Crecer” National Strategy Document <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39403508">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39403508</a>
7.	“Fondo Estímulo al Desempeño y Logro de los Resultados Sociales” [Fund to Stimulate Performance and Achieve Social Outcomes] (FED) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39403540">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39403540</a>

## ABBREVIATIONS

ANGR	Asamblea Nacional de Gobiernos Regionales [National Assembly of Regional Governments]
AMPE	Asociación de Municipalidades del Perú [Association of Municipalities of Peru]
DDO	Deferred drawdown option
DGETP	Dirección General de Endeudamiento y Tesoro Público [National Office of Public Sector Borrowing]
D-UCPS	Dirección-Unidad de Coordinación de Préstamos Sectoriales [Sector Loan Coordination Unit/Department]
ECD	Early childhood development
ENAH0	National household survey
FED	Fondo Estímulo al Desempeño y Logro de los Resultados Sociales [Fund to Stimulate Performance and Achieve Social Outcomes]
FDI	Foreign direct investment
INEI	Instituto Nacional de Estadística e Informática [National Institute of Statistics and Information Technology]
IMF	International Monetary Fund
MEF	Ministry of Economy and Finance
MIDIS	Ministry of Development and Social Inclusion
NFPS	Nonfinancial Public Sector
PBP	Programmatic policy-based loan
PNCM	Programa Nacional “Cuna Más” [“Cuna Más” National Program]
REMURPE	Red de Municipalidades Rurales y Urbanas del Perú [Network of Rural and Urban Municipalities of Peru]
SAF	Servicio de Acompañamiento a Familias [Family Support Service]
SCD	Servicio de Cuidado Diurno [Daycare Service]

## PROJECT SUMMARY

PERU

### RESULTS-BASED MANAGEMENT PROGRAM FOR SOCIAL INCLUSION II (PE-L1154)

Financial Terms and Conditions					
<b>Borrower:</b> Republic of Peru			<b>Flexible Financing Facility/PR<sup>1</sup></b>		
			<b>Amortization period:</b>	10 years	
<b>Executing agency:</b> Ministry of Economy and Finance (MEF), acting through the National Office of Public Sector Borrowing (DGETP)			<b>Drawdown period:<sup>2</sup></b>	3 years	
			<b>Weighted average life (in years):</b>	Up to 8.25 years	
			<b>Upfront fee:</b>	50 bps	
			<b>Standby fee:</b>	25 bps <sup>3</sup>	
			<b>Renewal fee:</b>	50 bps <sup>c</sup>	
			<b>Grace period:</b>	6.5 years	
			<b>Inspection and supervision fee:</b>	<sup>c</sup>	
			<b>Interest rate:</b>	LIBOR-based	
			<b>Currency of approval:</b>	U.S. dollars	
Project at a Glance					
<b>Project objective/description:</b>					
This operation is the second and last of a series of two programmatic policy-based loan (PBP) operations. The objective of this programmatic series is to support the Ministry of Development and Social Inclusion (MIDIS) in consolidating its capacity to evaluate social policies, continually improve the quality of service delivery, and manage social programs efficiently, establishing itself as the lead agency for social inclusion policy in Peru and an efficient implementer of strategic programs for the country's social development agenda.					
<b>Special contractual conditions:</b>					
Disbursement of loan proceeds is subject to fulfillment of the policy reform measures described in the program components (Section B, paragraphs 1.35 to 1.44, and <a href="#">Annex II</a> ), and the other conditions established in the loan contract.					
<b>Exceptions to Bank policies:</b> None					
<b>Project qualifies as:</b>					
	SEQ <input checked="" type="checkbox"/>	PTI <input type="checkbox"/>	Sector <input type="checkbox"/>	Geographic <input type="checkbox"/>	Headcount <input type="checkbox"/>

<sup>1</sup> The financing of this loan will benefit from the options offered by the Flexible Financing Facility (FFF) in terms of currency and interest rate conversions, but not the flexibility to modify amortization schedules in U.S. dollars or any other currency. The amortization schedule applicable to this loan will be consecutive, semiannual installments, equal insofar as possible.

<sup>2</sup> This loan operation has been structured as a policy-based loan with deferred drawdown option (document GN-2667-2, section VI.C establishes an original drawdown period of up to three years, running from the date of entry into force of the loan contract, with an option for a one-time renewal of another three years).

<sup>3</sup> The standby fee, renewal fee, and inspection and supervision fee may be revised by the Bank's Board of Executive Directors as part of the periodic review of the Bank's lending charges. The grace period and these commissions are calculated from the date of entry into force of the loan contract.

<sup>4</sup> The loan will be financed from Ordinary Capital resources prepaid by the borrower and reallocated to this operation according to the criteria established in the Bank's Reallocation Program (document FN-672-1).

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problems addressed, and rationale

- 1.1 This is the second and last of a series of two programmatic policy-based loan (PBP) operations to support the consolidation of the Ministry of Development and Social Inclusion (MIDIS) and the implementation of results-based management in social policy. The first operation and program general guidelines were approved by the Board of Executive Directors on 24 July 2013 (document PR-4026-2). In the first operation, the program supported MIDIS in consolidating its capacity to design and develop evaluation policies and strategies, improve the quality of service delivery, and manage MIDIS social programs. In this second and last operation in the programmatic series, the program will support MIDIS in advancing with the execution and implementation of these capacities, establishing itself as the lead agency for social inclusion policy in Peru and an efficient implementer of strategic programs for the country's social development agenda.

#### 1. Macroeconomic conditions and poverty

- 1.2 Between 2009 and 2013 Peru was one of Latin America's most dynamic economies, achieving average annual growth of over 6.0%. It was one of the few countries not to fall into recession during the 2009 international financial crisis.<sup>1</sup>
- 1.3 However, a slowdown of economic growth to around 3.0% was observed in 2014, mainly as a result of weakening external economic conditions. The factors affecting the Peruvian economy included the increased volatility of international capital flows, resulting from the normalization of monetary policy in the United States, and the more pronounced slowing of global growth, in particular, the relative cooling of the Chinese economy. Both factors had a direct impact on Peru's external accounts, mainly due to a decline in mining exports, which in turn affected levels of private investment in the sector.
- 1.4 Despite 2014's slower growth rate, the authorities have not substantially altered their growth projections for 2015 and 2016, such that growth rates of between 5.0% and 6.0% are expected according to official figures. Peru has successfully established a political and monetary policy framework that has achieved high levels of stability. Fiscal policy has managed to avoid unsustainable spending paths and has limited the extent to which public expenditure is procyclical. For their part, the central bank's inflation targeting approach and independence in conducting monetary policy have ensured price stability, with inflation rates converging on international levels, and inflation expectations anchored in the medium term. In this context, Peru's external financial conditions remain stable, with one of the lowest country risks in the region and an investment grade rating from the leading risk rating agencies.<sup>2</sup> The latest arrangement with the International Monetary Fund (IMF) came to an end in January 2009. Since then, Peru has been under periodic macroeconomic monitoring as part of Article IV consultations.

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<sup>1</sup> Data supplied by the Peruvian Ministry of Economy and Finance.

<sup>2</sup> DBRS, Fitch, Standard & Poor's, and Moody's.

- 1.5 In this context of sound fundamentals in economic policy management, the external sector outlook remains solid for 2015 and 2016, when moderate current account deficits are anticipated that will be fully financed by foreign direct investment (FDI) flows. The fiscal outlook indicates that the nonfinancial public sector (NFPS) will run a slight deficit, giving fiscal policy a slight countercyclical bias to support economic recovery. For the near future, the fiscal program of the Government of Peru envisages moderate financing requirements. Debt repayments of around 1.0 points of gross domestic product (GDP) are expected for 2015. In conjunction with the year's expected deficit, this will result in NFPS gross financing requirements of approximately 1.4 points of GDP (approximately US\$3 billion). The remaining amount of the programmatic series (US\$300 million) will be equivalent to approximately 10% of Peru's financing requirements in 2015. In 2016-2017, under the Multiyear Microeconomic Framework, the Government of Peru anticipates a slight deterioration in SNPF fiscal performance. This, combined with a bunching of debt maturities (11% of total debt repayments are slated for 2016-2017, and 21% for 2016-2019), could lead to greater financing requirements in the future. The use of an instrument like the deferred drawdown option (DDO) is consistent with that contingency.
- 1.6 In terms of the social landscape, poverty decreased by 1.9 points in 2013 relative to 2012, from 25.8% to 23.9%. The extreme poverty component was reduced to 4.7% (equivalent to 1.4 million people), 1.3 percentage points lower than in 2012.<sup>3</sup> The National Institute of Statistics and Information Technology (INEI) report highlights that the poorest segments of the population had higher income and expenses, which would have been a consequence of increased wages and public transfers. According to the latest data from the National Household Survey (ENAHU, 2013), inequality, as measured by the Gini coefficient, fell between 2009 and 2013 from 0.39 to 0.35 (expenditure) and from 0.47 to 0.44 (income).<sup>4</sup>

## **2. Social development and inclusion strategies and policies in Peru**

- 1.7 In recent years, social development and inclusion have become an established part of the policy agenda. MIDIS defines social inclusion as everyone in the country exercising their rights, accessing quality public services, and being able to take advantage of the opportunities created by economic growth. The creation of MIDIS in October 2011 has enabled the government to coordinate and conduct targeted actions to reduce poverty, inequality, vulnerability, and social risks. At the start of this programmatic series, MIDIS had recently been created, to introduce a results-based approach and measure its performance, provide accountability, achieve effectiveness in poverty reduction, and implement a subnational focus. At the end of the series, the Government of Peru made social inclusion a priority in the country's public policy through the adoption of new approaches, measurement to

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<sup>3</sup> Data supplied by the Peruvian Ministry of Economy and Finance.

<sup>4</sup> The Gini coefficient takes values between 0 (absolute equality) and 1 (absolute inequality). See INEI (2014).

improve decision-making, and management of social programs.<sup>5</sup> The establishment of MIDIS as the lead agency for social development and inclusion fosters evidence-based social policy formulation, emphasizes targeting interventions, coordinates interagency processes, and evaluates the results obtained systematically as part of a process of improvement in results-based management. Despite this consolidation, however, challenges remain, such as continuing to implement the recommendations and findings of program evaluations, especially following changeovers of administration, and continuing the process of expanding programs to achieve their coverage targets, while ensuring program quality.

- 1.8 In 2013, with support under the first operation in this programmatic series (loan 2963/OC-PE) and fulfillment of the conditions set in it, the “Incluir para Crecer” National Social Development and Inclusion Strategy was designed and approved, guiding the Peruvian government’s actions in relation to social development through 2016.<sup>6</sup> The strategy has defined five strategic pillars with a life-cycle approach: (i) childhood nutrition; (ii) early childhood development; (iii) comprehensive development in childhood and adolescence; (iv) economic inclusion; and (v) protection of the elderly. The elements guiding the strategy are: (a) taking the household as its starting point and unit of design, analysis, and attention for social policy; (b) pursuing social inclusion initiatives and processes under a results-based management approach; (c) structuring the stages of the public management cycle around priority social inclusion outcomes; (d) integrating management tools that facilitate competency-based coordination; and (e) promoting regional and local leadership through complementarity with subnational initiatives. Additionally, the strategy’s operating model acts over three complementary time horizons: for the short term, it has programs to alleviate extreme poverty; for the medium term, it promotes income-generating opportunities and investment in basic infrastructure; and for the long term, it supports the creation of opportunities for the younger generations, with an emphasis on reducing chronic childhood malnutrition and promoting early childhood development.
- 1.9 This operation concentrates on the policy measures supporting the implementation roadmap for the “Incluir para Crecer” strategy in two important respects: results orientation and working with the subnational level. Results-based management is an innovative aspect of the strategy because it allows the logic of the intersectoral and intergovernmental interventions to be harmonized with strategic budgetary programs promoted by the Ministry of the Economy and Finance (MEF). Key targets have thus been identified where severe gaps persist among populations and regions, such as poverty reduction, extreme poverty, chronic malnutrition in children under five years of age, and increased access to an integrated bundle of services (water, sewer, electricity, and telephone), and school attendance. Subnational regions, through local governments, have committed themselves to help close these gaps.

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<sup>5</sup> See Trivelli and Vargas (2014).

<sup>6</sup> See [“Incluir para Crecer” National Strategy](#), MIDIS.



### **3. Advances and challenges for the social development and inclusion strategy**

- 1.10 Each of the five pillars of the “Incluir para Crecer” strategy is accompanied by evidence-based interventions and has clearly defined targets and objectives. Some of these programs were set up prior to the creation of MIDIS, such as the conditional cash transfer program, while others are new.
- 1.11 With the support of the first operation in this programmatic series (loan PE-L1129), approved on 24 July 2013, significant progress was made in the evaluation, quality, and management of several MIDIS social programs. The first phase oriented efforts toward strengthening MIDIS as the lead agency for social development policy, and developing and implementing tools to build its evaluation capacity, advance quality assurance of the delivered services, and improve their management and targeting. Additionally, the first operation supported a strategy component aimed at guaranteeing the most vulnerable population’s access to financial services and building their capacity to make decisions for their use. Although the social programs supporting the five pillars of the strategy have reported significant gains, challenges remain to be overcome, particularly those relating to the quality and management of social services, as described below.
- 1.12 “Juntos,” the national program of direct support to the poorest of the poor, was launched in April 2005 as a conditional cash transfer program within the Government of Peru’s antipoverty social policy. Today it is one of the pillars of MIDIS’s strategy of providing targeted services. The Juntos program aims to reduce poverty and extreme poverty through cash transfers conditional upon beneficiary households’ joint responsibility commitments in health and education. The program’s long-term objective is to break the intergenerational transmission of poverty by promoting human capital accumulation among children. Juntos is based on the evidence of positive impacts from conditional cash transfer programs in Peru and elsewhere in the world.<sup>7</sup>
- 1.13 Since its inception, Juntos has undergone several changes on its way to becoming well established. The program’s coverage has expanded to 833,836 households, 69% more than in 2011. Today, 1,144 districts benefit from the program, 61% more than in 2011. Similarly, progress has been made on the regulatory framework, to improve program functioning at both central and regional level. Today it has clear, strategic operating regulations, and regional governments are more closely involved in the oversight, promotion, and dissemination of fulfillment of coresponsibilities.
- 1.14 This programmatic series reflects the continuation of the Bank’s technical and strategic support to MIDIS since its creation in 2011, in relation to the evaluation and reorganization of the social programs under its responsibility, in order to make them efficient and up to high quality standards. The process of ongoing program assessment has produced recommendations for improvements to their design, such

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<sup>7</sup> See Fizbein and Schady (2009); Perova and Vakis (2009).

as in the case of Juntos. The first operation of the programmatic series helped develop the pilot program for people graduating from the Juntos program, the results of which will inform the design of a successfully scalable graduation strategy, and diagnostic assessments were conducted detecting the program's need for better coordination and a subnational focus.

- 1.15 Although the Juntos program has come a long way (see paragraph 1.13), there are still a number of challenges to be overcome. These include achieving the projected coverage targets of 798,598 users in 2016; scaling up implementation of measures to connect people leaving Juntos with the government's range of programs on training and production; setting criteria for the readmission of Juntos beneficiaries where necessary, so as to safeguard the human capital of children in these households; and more effectively<sup>8</sup> bringing program users into the formal banking system and educating them on financial matters. This operation in the programmatic series aims to support the updating of the Juntos program's guidelines and the key stages of its operating cycle, in response to the recommendations of the evaluations conducted,<sup>9</sup> and to improve the mechanisms and support processes for people leaving the program.
- 1.16 **Economic and financial inclusion.** To accompany its financial inclusion activities, and consistent with its aim to reduce gender inequity, Juntos has furnished all program users with savings accounts and provided 412,000 of them with debit cards. Pilot programs to promote saving and financial literacy have been launched, and 60,000 users had been trained by end-2014. These activities are based on evidence that easing financial constraints can produce the following positive effects: (i) stimulate economic growth and reduce income inequality;<sup>10</sup> and (ii) improve the wellbeing of poor households by promoting savings, which reduces vulnerability to adverse events (e.g., emergency health spending) and enables greater productive investments in the medium term.<sup>11</sup>
- 1.17 As part of the first operation of the programmatic series, MIDIS also approved its Guidelines for Financial Inclusion Policy Design and Interventions for the Population Targeted for Inclusion, which steer social programs towards greater financial inclusion of their beneficiaries. Pilot financial inclusion programs were also designed, which it is hoped will improve MIDIS's strategy. This operation will support policies and technical guidelines for the full-scale implementation of

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<sup>8</sup> For example, by strengthening financial literacy, since a study showed that just 23% of beneficiaries are aware that they have an account at Banco de la Nación.

<sup>9</sup> The following were proposed in the first operation of the programmatic series: (i) evaluation of the process for verification of coresponsibilities; (ii) evaluation of the cash transfer processes, procedures, and supporting information system; and (iii) evaluation of health and education service offerings in Juntos areas.

<sup>10</sup> Dabla-Norris et al. (2015).

<sup>11</sup> In Malawi a study found that commitments as to the amounts to be saved increased the capacity to purchase agricultural inputs. In Kenya, savings mechanisms that promote financial reserves set aside for health expenditures make households less vulnerable to catastrophic expenses caused by health emergencies. See Roodman (2012).

- experiences tested in the pilot programs, including guidelines for the implementation of social programs on financial service promotion, access, and use, and financial education.
- 1.18 The “Cuna Más” National Program (PNCM), created in March 2012, operates early childhood development programs in two modalities, targeting children under three years of age in areas of poverty and extreme poverty, in order to close the gaps in their cognitive, social, physical, and emotional development.<sup>12</sup>
  - 1.19 The first modality, the Daycare Service (SCD), took over the functions of the former “Wawa Wasi” National Program, which had been run by the Ministry of Women and Vulnerable Populations. This program primarily serves periurban areas and offers childcare services for children between 6 months and 36 months old. The SCD works to meet children’s basic health, nutrition, safety, rest, play, learning, and skills development needs, and currently serves around 50,000 children. As part of Component 3 (Support for improvements in the quality of social programs) of the first operation of the programmatic series, the PNCM has concentrated on improving the quality of SCD through a number of actions; migration of care from family homes to community centers and implementation of guidelines to improve service quality, including reducing child care ratios (number of children looked after by each adult) and reorganizing the children into age groups.<sup>13</sup>
  - 1.20 The PNCM’s second modality is the Family Support Service (SAF), which aims to develop and strengthen the childcare knowledge, skills, practices and learning of mothers and/or caregivers of children under 36 months old.<sup>14</sup> This service focuses on rural areas of Peru’s 600 poorest districts. SAF delivers this service in the form of weekly home visits by trained community facilitators, paid and supervised by the PNCM, who work with the mother and child on a series of play and learning activities. The SAF focuses on districts meeting the following targeting criteria: (i) a poverty rate of 50% or higher; (ii) areas included in the Juntos program; and (iii) a chronic malnutrition rate of 30% or higher, and where over 50% of the population lives in rural settlements. The SAF was created in 2012, and by 2014 had reached coverage of more than 51,810 children. As part of Component 3 (Support for improvements in the quality of social programs) of the first loan operation, the Bank supported the development of content and material used by the SAF.
  - 1.21 As part of the activities under the first operation of the programmatic policy-based loan (PBL), with work coordinated among the MEF, MIDIS, and the IDB, progress was made on the design and implementation of two experimental impact

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<sup>12</sup> The socioeconomic gaps between urban and rural areas in Peru, measured in terms of vocabulary development, are wide, as documented by Schady et al. (2015).

<sup>13</sup> The literature identifies the child care ratio, or rate of children per adult at a childcare center, to be an important structural variable for quality. See Vandell and Wolfe (2000); López Boo et al. (2015).

<sup>14</sup> One of the models of home visits that inspired the creation of the SAF was the Jamaican model, which has been extensively evaluated. See Walker et al. (2000); Walker et al. (2005); Walker et al. (2011).

evaluations for each of the PNCM's two service modalities. The monitoring line for evaluation of the SAF is scheduled to start in May 2015, and for the SCD in the last quarter of 2015. These two evaluations are key parts of the process of evidence-based policy formulation under MIDIS and will make it possible to make strategic decisions for the expansion and strengthening of PNCM services in the medium term. The evaluation of the SAF also represents the first effort at the international level to rigorously evaluate a full-scale home visit program.

- 1.22 Despite the progress made by the PNCM toward consolidating the quality of SCD and expanding access to the SAF, significant challenges remain.<sup>15</sup> First, expanding coverage of the SAF in short lengths of time has hampered a systematic process of consolidating the PNCM's quality. Second, hiring of professional staff at SCD community centers has run into serious supply limitations due to the shortage of qualified personnel interested in applying for the program's vacancy announcements. Third, there is room to strengthen investment in personnel in charge of childcare in the two PNCM modalities through in-service training and professional development, and salary structures and competitive economic incentives that reduce staff turnover. Fourth, the PNCM's management, which relies on community structures, has considerable room for improvements in efficiency and effectiveness, and requires central and subnational management tools for continuous follow-up of its services and monitoring of their quality. Fifth, the PNCM's sustainability depends on the outcomes of the impact evaluations, since the decree creating the PNCM states that, according to the findings of these evaluations, a proposal will be made for its formalization as a public policy, if shown to be effective.<sup>16</sup> This operation in the programmatic series will support: (i) continuation of the impact evaluations of the SAF and SCD; (ii) strengthening of the quality of the SCD; and (iii) development of a diagnostic assessment and a strengthening strategy and training methodology for SCD technical teams.
- 1.23 **“Qali Warma” National School Meals Program.** This program's objective is to provide quality meals to children in the initial and primary levels at public educational establishments in Peru, contributing to better school attendance and retention, as well as nutritional practices. Qali Warma is also based on evidence of the positive impacts of proper nutrition on school age children's cognitive development.<sup>17</sup> The program brings together several different stakeholders, such as purchasing committees and school feeding committees,<sup>18</sup> which are part of the program's comanagement model, along with civil society and public and private sector actors, with a view to providing a quality service in a coordinated manner.

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<sup>15</sup> See Young Lives (2012) and PNCM 2013 Annual Report. MIDIS.

<sup>16</sup> Supreme Decree 003-2012, MIDIS.

<sup>17</sup> Rausch (2013) and Taras (2005).

<sup>18</sup> The Purchasing Committee, comprising public sector representatives and parents, buys the food. The School Feeding Committee, comprising representatives of the educational community, principals, teachers, and parents for each educational establishment, oversees the quality of supplies and delivers the food.

- 1.24 Qali Warma has two components. The first is the feeding component, which relates expressly to the delivery of quality food, and the second is the educational component, which contributes to improving food handling and preparation practices and awareness, as well as to good eating habits. The program currently serves 3.1 million children at approximately 47,803 educational establishments nationwide.<sup>19</sup>
- 1.25 Support for the Qali Warma program, created in 2012, was not initially envisaged in the current programmatic series but was added given the program's central role in Peru's social inclusion policy,<sup>20</sup> as well as its alignment with the objectives of the series and the need to overcome challenges associated with service quality and coverage.<sup>21</sup> In particular, the challenges that stand out include the timeliness and quality of foodstuffs, improving purchasing procedures, the availability of infrastructure for food handling and preparation that meets the hygiene requirements in educational establishments, and coverage of native communities in the Amazon region. Under the current operation in the programmatic series, the objective is to support better conditions for quality service delivery for the Qali Warma program, expansion of coverage in the Amazon region, and update of its management instruments and operational processes, as well as the approval of protocols for program supervision and monitoring.
- 1.26 **The Fund to Stimulate Performance and Achieve Social Outcomes (FED).** FED is a financing mechanism under the "Incluir para Crecer" strategy (see paragraphs 1.7 to 1.9), and is the result of the national commitment to promote ECD, whereby the development, housing, education, health and women, and vulnerable populations sectors, in accordance with the National Assembly of Regional Governments (ANGR), the Network of Rural and Urban Municipalities of Peru (REMURPE), and the Association of Municipalities of Peru (AMPE), undertook to reduce chronic infant malnutrition to 10%, reduce anemia to 20%, increase preschool education to 85%, and increase access to water and sanitation to 85% nationwide by 2016.<sup>22</sup>
- 1.27 The first operation in this programmatic series, in 2013, supported the preparation of the "Incluir para Crecer" strategy in the priority areas of early childhood development and economic inclusion. This operation seeks to support policy

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<sup>19</sup> Data supplied by MIDIS. [http://www.qw.gob.pe/?page\\_id=74](http://www.qw.gob.pe/?page_id=74).

<sup>20</sup> Qali Warma is MIDIS's largest program by annual budget, accounting for 36% of the total, and by number of beneficiaries, serving 3.1 million children.

<sup>21</sup> Cases of food poisoning in program beneficiary children have been reported in recent years. For an analysis of the challenges associated with Qali Warma's quality and coverage, see Bregaglio et al. (2013). See also the recommendations of the multisector commission, Supreme Resolution 280-013-PCM for Qali Warma.

<sup>22</sup> FED organizes its targets into packages: (i) before birth: four checkups in the first trimester of pregnancy, prenatal care, and iron and folic acid supplements; (ii) 0-24 months: children with ID document, full development checkups, vaccinations, nutritional supplements, and family support; (iii) 3-5 years: access to preschool education; and (iv) environment: children's access to chlorinated water. See <http://goo.gl/EwTDC5>.

measures for the creation of innovative mechanisms to finance strategy implementation and to coordinate between national and subnational governments. Thus, the FED represents an innovation in results-based intersectoral coordination at the subnational level, and has established a results-based payment scheme whereby prioritized regions make management commitments to improve service delivery and coverage based on monetary incentives.<sup>23</sup> Each region sets the amount of the agreement, 70% of which is distributed as a fixed tranche and 30% as a variable tranche conditional on performance. Through performance-based allocation agreements between MIDIS, the MEF, and regional governments, management commitments and coverage targets are set for the delivery of services to children aged 0 to 5 years.

- 1.28 Meeting the targets set by the fund and regional governments requires support, supervision, and constant monitoring. Policy measures are proposed under this operation to support full-scale implementation of the fund and strengthening of MIDIS's project monitoring and supervision capabilities. Thus far, the FED has a manual and operating regulations defining how it operates, and 16 departments of Peru have been prioritized and have signed management agreements.

#### **4. Relationship with other Bank operations and lessons learned**

- 1.29 The Social Sector Reform Program I (loan 2234/OC-PE) was approved in 2009, as the first in a programmatic series of three operations supporting substantial reforms to the main social and employment programs to enhance their effectiveness, efficiency, and targeting. The second and third stages of the Social Sector Reform Program (loans 2446/OC-PE and 2783/OC-PE) were approved in 2010 and 2012, pursuing social program reforms and enabling Peru's social and employment policy to be consolidated, institutionalized, and rationalized. These efforts laid the groundwork for defining the process of creating MIDIS.
- 1.30 The Government of Peru requested further support from the Bank to help consolidate MIDIS's design, implementation, and evaluation capacity in its role as lead agency for making and implementing social policy. This support came about in 2013 with the approval of this programmatic series for the Results-based Management Programs for Social Inclusion I and II.
- 1.31 In association with these programmatic series, the Bank has provided significant technical support in the form of reimbursable and nonreimbursable technical-cooperation operations, including: Support for the Social Sector Reform Program (loan 2374/OC-PE); Support for the Design and Evaluation of the Early Childhood Development Strategy and Program (operation ATN/OC-13251-PE); Support for the Implementation of the Development and Inclusion Policy (operation ATN/OC-13526-PE); and Improving the Management, Quality, and

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<sup>23</sup> There is considerable evidence on results-based financing as an innovation to improve service uptake, quality, and efficiency, particularly in health care. See: Witter et al. (2012); Honda (2012); Eichler and Levine (2009).

Evaluation of Ministry of Development and Social Inclusion Programs (operation ATN/OC-14451-PE).

- 1.32 Important lessons were learned during the implementation of the first programmatic series (see paragraph 1.29), the first operation of this series (see paragraph 1.30), and the technical cooperation portfolio (see paragraph 1.31) and have been incorporated into the design of this operation. First, defining the strategic areas of the operation in a way that is aligned with the Government of Peru's priorities facilitates the political commitment to carry out the programmatic series. Second, the counterpart teams consider the support provided by the timely approval of technical cooperation to be an advantage, supporting the resolution of technical issues that might otherwise jeopardize the sustainability of the reforms. Third, encouraging the MEF's active participation at the project preparation stage facilitates coordination on decisions concerning the allocation of budgetary resources for implementation of the reforms. Fourth, expanding coverage of social programs needs to be linked to a guarantee that regulations will be defined, and quality standards applied.

#### **5. Strategic alignment**

- 1.33 This operation fits into the Bank's country strategy with Peru 2012-2016 (document GN-2668), in particular with its first priority area of social inclusion. The strategy highlights the need to target social spending and improve its effectiveness, and to concentrate investments in human capital development of the poorest of the poor. The policy measures in this operation address these areas and reflect the strategy indicators to "increase the coverage of comprehensive child development services" and "increase the coverage of conditional cash transfer programs." Although the operation is not included in the 2015 country programming document (CPD) (document GN-2668-1), it is part of the Bank's priority actions with Peru. Given its importance for the country, the operation was prioritized under the Bank's Reallocation Program (see paragraphs 2.1 and 2.2).
- 1.34 The program will contribute to the lending program priority targets for poverty reduction and equity enhancement under the Ninth General Increase in the Resources of the Inter-American Development Bank (document AB-2764). It will also contribute to the regional development goals of the Bank's results framework for reducing the extreme poverty rate, through support to policy measures such as conditional transfers, investment in the human capital of children, and economic and financial inclusion. The policy measures supported in this operation are likewise consistent with the Strategy on Social Policy for Equity and Productivity (document GN-2588-4) and the lines of action of the Social Protection and Poverty Sector Framework Document (document GN-2784-3), specifically with the support for efficient redistributive instruments that promote human capital accumulation, and the provision of quality social inclusion services for poor and vulnerable populations.

## **B. Objectives, components, and cost**

- 1.35 This operation is the second and last of a series of two programmatic policy-based loan (PBP) operations. The objective of this programmatic series is to support the Ministry of Development and Social Inclusion (MIDIS) in consolidating its capacity to evaluate social policies, continually improve the quality of service delivery, and manage social programs efficiently, establishing itself as the lead agency for social inclusion policy in Peru and an efficient implementer of strategic programs for the country's social development agenda.
- 1.36 This second operation in the programmatic series maintains the objectives and structure of the original components agreed upon by the Bank with the Government of Peru at the start of the programmatic series, and introduces certain new conditions that strengthen the program, as described below. The conditions proposed for the second operation strengthen the support to MIDIS in relation to evaluation, quality, and management of social programs, making it more efficient in its lead agency role. The conditions and documentation accrediting their fulfillment are included in the [Policy Matrix](#).
- 1.37 **Component 1. Stability of the macroeconomic framework.** The purpose of this component is to ensure a macroeconomic context consistent with the program's objectives as established in the Policy Matrix.
- 1.38 **Component 2. Support for the evaluation of social programs.** This component has two objectives: (i) to generate empirical evidence on the PNCM's effectiveness; and (ii) to support the process of improving the management of Juntos, as the outcome of the design and implementation of operational assessments. Since its creation in 2011, MIDIS has promoted decision-making based on evidence, evaluations, and systematic reviews. For this, the Ministry itself requires rigorous evaluations of its main programs, which can serve as inputs to budget allocation processes, program expansion, reform, or shutdown, and public accountability. With the support of the first phase of the programmatic series, MIDIS prepared the methodological design to collect the baseline data of an impact evaluation on the two PNCM services, SAF and SCD, and a timetable of operational assessments of the Juntos program.
- 1.39 This second operation in the programmatic series continues the work done in the first phase through the fulfillment of the following conditions: (i) the report's conclusions and analysis of the data collected in the impact evaluation baselines of the two PNCM services, and development of the methodological design of monitoring data collection for the impact evaluation of the two PNCM service modalities; and (ii) the change in the Juntos program's operational guidelines at key stages of the program cycle (enrollment, maintenance of beneficiary rolls, verification of coresponsibilities, and payment of transfers), based on the evaluation recommendations defined as part of the first operation in this programmatic series. The same conditions as envisaged at the start of the programmatic series were



- maintained in this component. Some adjustments were made to the language of the conditions in order to clarify their scope.<sup>24</sup>
- 1.40 **Component 3. Support for improvements in the quality of social programs.** The objective of this component is to improve service delivery conditions, so that expanded program coverage is accompanied by ongoing quality improvements. MIDIS's mandate is to deliver quality services to population groups targeted based on criteria of rurality, ethnicity, educational level, and poverty. The ministry's programs have expanded rapidly since its creation. In December 201 the coverage of the main MIDIS programs was: Juntos, 833,836 households; Qali Warma, 3,190,735 children; and PNCM, 109,051 children. With the support of the first operation in the series, MIDIS prepared guidelines and developed plans to improve the quality of the two PNCM services.
- 1.41 When the programmatic series was designed, no quality conditions associated with the second stage were envisaged. However, given the importance of emphasizing service quality in the ECD programs (see paragraph 1.22) and the prospect of continuing expansion of the PNCM program, this operation has introduced quality improvement conditions for the social programs. It was also agreed to add conditions relating to the Qali Warma school meals program, to align it with the objectives of the programmatic series, given the importance of the nutrition for comprehensive childhood development and the service quality challenges the program faces (see paragraph 1.25). The following conditions are expected to be met in this operation: (i) enhancing the quality of human resources at the PNCM daycare centers by hiring educators and training them in good practices for interaction with children; (ii) reviewing the training methodology, strategy, curriculum, and materials for technical teams, and training SCD facilitators; and (iii) improving the conditions for Qali Warma program service delivery, including the food procurement handbooks, resources for infrastructure development, and expanding the indigenous population included in the program.
- 1.42 **Component 4. Support for improvements in the management of social programs.** The objective of this component is to support the consolidation of MIDIS's results-based management, particularly as regards graduation of beneficiaries from its programs, financial inclusion, and promotion of efficient mechanisms for local, operational, and financial management of the programs. With the support of the first operation in the programmatic series, MIDIS prepared its strategy emphasizing ECD and economic inclusion (see paragraph 1.8), planned pilots to fine-tune the design of some of its more innovative policies,<sup>25</sup> reorganized its program portfolio, and began subnational coordination for local management of the Juntos program.
- 1.43 In this second operation of the programmatic series, bearing in mind that MIDIS now has a strategy and has made headway on the implementation of the pilots

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<sup>24</sup> For a comparison between the conditions agreed in the loan proposal for the first operation of the programmatic series and the conditions agreed for the second operation, see the [Comparative Matrix](#).

<sup>25</sup> Such as its beneficiary graduation strategies and financial inclusion strategy.

proposed in the first operation, and on the reorganization of its program portfolio, agreement has been reached on the following conditions: (i) systematic application of the progress of the Juntos program's graduation pilot and recommendations for its full-scale implementation; (ii) implementation of a pilot program to build financial capacity and improve access to financial services for the population targeted for inclusion; (iii) approval of financial inclusion guidelines based on the lessons learned from the pilot; (iv) implementation of a system of field operations for local Juntos program managers; (v) new activities of the Juntos program zone technical coordinator; (vi) adjustments to Qali Warma and Juntos program operational processes; and (vii) approval of rules to create financing mechanisms for the implementation of the "Incluir para Crecer" National Strategy. These conditions were envisaged at the start of the programmatic series, and adjustments were made to the language in order to clarify their scope and make them more understandable.<sup>26</sup>

- 1.44 To highlight the importance of effective implementation of the measures supported by the programmatic series, a new condition not envisaged at the outset was introduced, namely the approval of implementation plans for financial inclusion activities in at least one MIDIS program. Lastly, the scope was narrowed to a single condition. The updating of the operational processes of the social programs for which MIDIS is responsible, and the corresponding modifications to the program operations manual, which at the start of the program was to be a condition for the second operation, was adjusted to propose the approval and implementation of changes to the operational processes of the Qali Warma and Juntos programs, in order to optimize their operations and help meet their institutional objectives. This change is justified by the decision to concentrate efforts on the two MIDIS programs with the largest numbers of beneficiaries (Qali Warma and Juntos) and to support the adoption of incremental changes to the operational processes based on the lessons learned.

### C. Key results indicators

- 1.45 The [Results Framework](#) of the programmatic series presents short- and medium-term outcomes expected to be associated with the implementation of policy measures to consolidate MIDIS's management and implementation role. These measures address the shortcomings identified in the operational processes at the start of the series, and the areas of consolidation of MIDIS's lead agency and management role added in the second operation. Examples are the operational evaluations of Juntos, PNCM impact evaluations, progress in improving the quality of PNCM's services, and the gradual implementation of the graduation and financial inclusion strategies based on evidence generated by the pilots. Indicators on the coverage of Qali Warma and Juntos are also included, as key programs in MIDIS's process of consolidation. The long-term outcomes of the programmatic loan are associated with efficiency and effectiveness gains in the programs. To this

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<sup>26</sup> See link, [Comparative Matrix](#).

end, MIDIS priority indicators applicable to the population prioritized on criteria of rurality, ethnicity, educational level, and poverty have been retained. Considerable progress on these indicators was observed between 2010 and 2013: the rates of extreme poverty and of poverty, based on independent income, fell from 48.9% to 30.4%, and from 36.2% to 20.0%, respectively; and the percentage of households with access to basic services rose from 11.6% to 34.3%. Also included was the indicator of beneficiaries of antipoverty programs, which rose from 712,000 to 948,000 beneficiaries between 2013 and 2014.

- 1.46 **Economic analysis.** As a PBP, the loan proceeds are not tied to the cost of implementing the reforms, so it not possible to allocate costs for a cost/benefit analysis. In the first operation, an economic analysis was conducted on the expected benefits of the main policy reforms promoted by the programmatic series. This analysis was updated for the second operation, and the benefits attributable to the policy measures included in the series were quantified.<sup>27</sup> Thus, in the case of the improvements in the Juntos coresponsibility verification process, there is evidence that stricter monitoring of fulfillment of coresponsibilities has an impact in terms of improved school attendance, which boosts future employment income. Also, the comprehensive ECD strategy promoted by FED also generates significant impacts on the future employment income of children receiving the packages included in the program. It is estimated that these policy measures will generate benefits with a present value of US\$300 million to US\$400 million under conservative scenarios, enabling a comparison of expected benefits of the promoted reforms with the financial cost of this operation.<sup>28</sup>

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments, amount, and currency

- 2.1 This operation is structured as a programmatic policy-based loan (PBP) with a deferred drawdown option (DDO). The operation structure follows and is consistent with section VI.C. of document CS-3633-1, “Policy-based Loans: Guidelines for Preparation and Implementation,” which addresses the DDO envisaged in the “Proposal to Establish Contingent Lending Instruments of the IDB” (document GN-2667-2), and the “Proposal for the Establishment of a Reallocation Program” (document FN-672-1).
- 2.2 The loan amount for this second and last operation in the programmatic series is US\$300 million from the Ordinary Capital resources repaid by the borrower in

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<sup>27</sup> In the first operation, the analysis was based on the benefits of the reforms, and a conservative estimate was reported, whereby the present value of the future benefits associated with the improved quality of PNCM and the Juntos graduation strategy would be around US\$20 million to US\$30 million, and that financial education could generate a substitution of informal saving increasing the stock of formal savings by US\$40 million.

<sup>28</sup> The base case scenario of the economic analysis for this operation used a discount rate of 6%. The sensitivity analysis also used a rate of 12%. For a more detailed explanation see the [Economic Analysis](#).

advance and reallocated to this operation in accordance with the Reallocation Program.<sup>29</sup> Under the DDO modality, disbursement of the loan proceeds may take place over an original drawdown period of up to three (3) years, running from the date of entry into force of the loan contract, with an option for a one-time renewal of another three years, upon notification of the Bank's written consent to the borrower.

**B. Environmental and social risks**

2.3 This operation does not envisage activities with adverse impacts on natural resources. Therefore, in accordance with directive B.13 of the Environment and Safeguards Compliance Policy (document GN-2208-20 and Operational Policy OP-703), and as a sector-specific policy-based loan, this operation does not require classification. The program's policy measures are expected to have a positive social impact, and the empowerment of women will be promoted through the Juntos program in a way that is aligned with the Operational Policy on Gender Equality in Development (document GN-2531-10).

**C. Other risks**

2.4 Most of the operation's risks are medium and correspond to risks associated with public management and governance, for which mitigation actions were identified. There is a risk to the sustainability of the reforms in the various social programs promoted by this programmatic series, and the high staff turnover rate constitutes a risk for their continuity in view of the loss of institutional memory. To mitigate this risk, reforms and improvements will be reflected in the program Operating Regulations and/or supported in evaluations (of processes, outcomes, and/or impact). Moreover, to ensure the continuity of the evaluation agenda, evaluations will form part of an institutionalized process of results-based management at the Ministry of Development and Social Inclusion (MIDIS), and the generation of intermediate outputs will be promoted. These will be used as program inputs, to highlight the importance of the evaluations and build sustained support for their implementation. The participation of the Ministry of Economy and Finance (MEF) in results-based management will also help ensure the sustainability of the reforms. A possible public management and governance risk associated with the Qali Warma program was also identified, given the operational and management issues that have affected the program in the past (see paragraph 1.27). As a mitigation measure, the Bank's technical support is proposed to improve and monitor quality assurance mechanisms.

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<sup>29</sup> Under the Reallocation Program, the Peruvian government repaid the outstanding balance of five loan operations in advance.

### **III. IMPLEMENTATION AND MANAGEMENT PLAN**

#### **A. Summary of implementation arrangements**

- 3.1 The borrower is the Republic of Peru. As in the first operation, the program executing agency will be the Ministry of Economy and Finance (MEF), acting through the National Office of Public Sector Borrowing (DGETP), which will coordinate with the entities involved in the planned reforms; promote actions to achieve the defined policy objectives; and deliver reports and evidence of fulfillment of the program's policy conditions.

#### **B. Summary of arrangements for monitoring results**

- 3.2 Program monitoring is defined by verification of the policy measures agreed upon as conditions. The outcomes of these policy changes are also being monitored at program level through operational process indicators for the programs in the programmatic series. The DGETP's Sector Loan Coordination Unit/Department (D-UCPS) is responsible for intersectoral and intergovernmental coordination for programmatic loans, and will work in coordination with MIDIS to monitor policy measures.
- 3.3 The evaluation of the reforms will continue in two areas: Firstly, purpose-level indicators in the Results Framework will be monitored, which show progress towards the development objectives of the supported programs. Secondly, the policy measures include the operational evaluation agenda for Juntos, the PNCM's impact evaluations,<sup>30</sup> and evaluations of the MIDIS graduation strategy and financial inclusion strategy pilots. These evaluations, included in the activities of the technical-cooperation operation ATN/OC-14451-PE, Improving the Management, Quality, and Evaluation of Ministry of Development and Social Inclusion Programs (see paragraph 1.31), are generating evidence on the effects of the reforms supported by this operation.

### **IV. POLICY LETTER**

- 4.1 The Bank has agreed with the Government of Peru on the macroeconomic policies and sectors included in the Policy Letter be presented by the MEF, which will describe the main components of the government's strategy for this program and reaffirm its commitment to implementing the planned activities.

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<sup>30</sup> The PNCM impact evaluation employs an experimental design to measure the program's impact on children's motor, cognitive, language, and soft skills development. See [Monitoring and Evaluation Arrangements](#).

Development Effectiveness Matrix			
Summary			
<b>I. Strategic Alignment</b>			
<b>1. IDB Strategic Development Objectives</b>	<b>Aligned</b>		
Lending Program	-Lending for poverty reduction and equity enhancement		
Regional Development Goals	-Extreme poverty rate		
Bank Output Contribution (as defined in Results Framework of IDB-9)	-Students benefited by education projects -Individuals receiving targeted anti-poverty programs -Individuals benefited from programs to promote higher labor market productivity		
<b>2. Country Strategy Development Objectives</b>	<b>Aligned</b>		
Country Strategy Results Matrix	GN-2668	- Increase coverage of conditional cash transfers programs. - Increase coverage of comprehensive child development services in the 600 poorest districts of the country. - % Of households in extreme poverty included in the program.	
Country Program Results Matrix	Not available	Document under revision.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
<b>II. Development Outcomes - Evaluability</b>	<b>Highly Evaluable</b>	<b>Weight</b>	<b>Maximum Score</b>
	9.3		10
<b>3. Evidence-based Assessment &amp; Solution</b>	<b>10.0</b>	<b>33.33%</b>	<b>10</b>
3.1 Program Diagnosis	3.0		
3.2 Proposed Interventions or Solutions	4.0		
3.3 Results Matrix Quality	3.0		
<b>4. Ex ante Economic Analysis</b>	<b>9.0</b>	<b>33.33%</b>	<b>10</b>
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	2.0		
4.2 Identified and Quantified Benefits	2.0		
4.3 Identified and Quantified Costs	2.0		
4.4 Reasonable Assumptions	2.0		
4.5 Sensitivity Analysis	1.0		
<b>5. Monitoring and Evaluation</b>	<b>9.0</b>	<b>33.33%</b>	<b>10</b>
5.1 Monitoring Mechanisms	1.5		
5.2 Evaluation Plan	7.5		
<b>III. Risks &amp; Mitigation Monitoring Matrix</b>			
Overall risks rate = magnitude of risks*likelihood	Medium		
Identified risks have been rated for magnitude and likelihood	Yes		
Mitigation measures have been identified for major risks	Yes		
Mitigation measures have indicators for tracking their implementation	Yes		
Environmental & social risk classification	B.13		
<b>IV. IDB's Role - Additionality</b>			
The project relies on the use of country systems			Financial Management: Budget, Treasury, Accounting and Reporting.
Fiduciary (VPC/FMP Criteria)	Yes		
Non-Fiduciary	Yes		Strategic Planning National System, Monitoring and Evaluation National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality	Yes		The program aims to improve the efficiency of spending for objectives that directly contribute to improvements in gender equality by including conditions on improvements in targeting spending towards vulnerable groups, including children and women and ethnic groups.
Labor	Yes		An externality of strengthening the supply of child care services is to facilitate the employment of mothers. Additionally, the program Juntos through the co-responsibilities, especially those associated with school attendance, can be translated in the future into better skills so that children can be inserted in the labor market and improve their income.
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes		The technical cooperations PE-T1254, PE-T1271, PE-T1309 have supported improved management and strategic planning of government entities responsible for implementing the reforms, as well as the development of technical skills.
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan	Yes		Impact assessments of child care programs close important gaps in knowledge, as identified in the monitoring and evaluation plan.

This operation is the second and final of a series of two operations under the modality of Policy-Based Programmatic Loan (PBP). The objective of this is to promote development and social inclusion, understood as the situation in which individuals exercise their rights, access quality public services and are able to take advantage of economic development opportunities. The PBP supports the Ministry of Development and Social Inclusion (MIDIS) in strengthening its capabilities for evaluating social policies, maintaining improvements in the quality of services, and providing an efficient management of social programs, consolidating the Ministry's leadership role for social inclusion policy in Peru and as an efficient executor of strategic programs for the social development agenda of the country. The program is expected to benefit the population at risk of social exclusion including families in poverty and extreme poverty and children.

The logical framework presented in the POD is consistent, covering inputs, outputs, outcomes and impacts. The results matrix includes indicators for major outputs, outcomes and impacts of the program. The indicators in the results matrix meet SMART criteria and include baseline values and final targets. Indicators of final impact include incidence of poverty, extreme poverty and access to basic services; scores on child development scales; and progress in meeting management commitments linked to health and education. Monitoring and tracking the results of the PBP will be executed by the Bank in coordination with Directorate General of Debt and Treasury (DGETP). MIDIS will also assign a responsible person for tracking and monitoring. The monitoring and evaluation activities have been budgeted and planned. The data sources for monitoring include administrative systems from UCPS and MIDIS, reports and resolutions. The loan supports a reflexive evaluation without attribution and two experimental impact evaluations for child development programs.

**POLICY MATRIX**

Component and objective	Conditions fulfilled in 2013 PBP I	Conditions for 2015 operation* PBP II
<b>1. Stability of the macroeconomic framework</b>		
Maintain a stable macroeconomic framework.	(1.1) Macroeconomic framework consistent with the program objectives and guidelines established in the sector policy letter.	(1.1) Macroeconomic framework consistent with the program objectives and guidelines established in the sector policy letter.
<b>2. Support for the evaluation of social programs</b>		
(i) Generate evidence on the effectiveness of the “Cuna Más” program (PNCM). (ii) Improve the management of Juntos as the outcome of the design and implementation of operational evaluations.	(2.1) Methodological design of the experimental impact evaluation of the family support modality of the “Cuna Más” National Program agreed upon by MIDIS and MEF.	(2.1a) Baseline complete and analysis report submitted on the evaluation of the PNCM family support modality, including, inter alia, the descriptive analysis of the data collected and the description of the progress of intervention implementation.
		(2.1b) Methodological design for the evaluation monitoring data collection on the PNCM family support modality, including, inter alia: (i) a work plan agreed with the INEI for the follow-up survey; (ii) a list of activities, timetable, and assigned responsibilities; and (iii) the questionnaires and instruments to be administered.
	(2.2) Proposed impact evaluation on the improvements to the “Cuna Más” National Program’s daycare service for full scale deployment in 2013, agreed upon by MIDIS and MEF.	(2.2a) Baseline complete and analysis report submitted on the evaluation of the PNCM daycare services, including, inter alia, the descriptive analysis of the data collected and the description of the progress of intervention implementation.
		(2.2b) Methodological design for the monitoring data collection on the PNCM day care services, including, inter alia: (i) a work plan for the follow-up survey; and (ii) a list of activities, timetable, and assigned responsibilities.

Component and objective	Conditions fulfilled in 2013 PBP I	Conditions for 2015 operation* PBP II
	(2.3) Proposed study and evaluation agenda for operational improvements to Juntos.	(2.3) Change in the Juntos program's operational guidelines based on the evaluation recommendations, and necessarily referring to one or more key stages of the program operating cycle: enrollment, maintenance of beneficiary rolls, verification of coresponsibilities, and payment of transfers.
<b>3. Support for improvements in the quality of social programs</b>		
(i) Improve the quality of care delivered under the "Cuna Más" program (PNCM). (ii) Improve the quality of services delivered under the "Qali Warma" program.	(3.1) Guidelines for continuous improvement to the quality of daycare under the "Cuna Más" National Program approved by MIDIS, including at least a reduction in the ratio of children to caregivers.	(3.1) Enhancing the quality of human resources at the PNCM daycare centers by hiring educators and training them in good practices for interaction with children.
	(3.2) Development of content and teaching material associated with the family support modality of the "Cuna Más" National Program.	(3.2a) Diagnostic assessment of the tools and processes in the PNCM daycare service including, inter alia, the following areas: training methodology, strategy, curriculum, and materials for technical teams and facilitators.
		(3.2b) Improving the conditions for Qali Warma program service delivery through food procurement processes, budgetary allocation to upgrade infrastructure and equipment, and inclusion of young people at secondary schools in native communities.
<b>4. Support for improvements in the management of social programs</b>		
(i) Contribute to developing the Juntos program graduation strategy. (ii) Contribute to building financial skills and improving access to financial services for the population targeted for inclusion.	(4.1) Development of pilot of Juntos program graduation strategy in accordance with MIDIS graduation guidelines.	(4.1) Systematic application of the progress of the Juntos program's graduation pilot and recommendations for its full-scale implementation.
	(4.2) Design of financial inclusion strategy for populations targeted for inclusion.	(4.2a) Implementation of a financial inclusion pilot associated with the beneficiaries of MIDIS social programs.



Component and objective	Conditions fulfilled in 2013 PBP I	Conditions for 2015 operation* PBP II
(iii) Redefine the local management process to improve support with a subnational perspective. (iv) Contribute to consolidating the reorganization of the MIDIS social programs. (v) Consolidate processes of sectoral and territorial coordination around priority social policy outcomes.		(4.2b) Approval by MIDIS of the financial inclusion guidelines based on lessons learned from the pilot, including, inter alia, guidelines on promotion, access, use of financial services, and financial education for implementation of MIDIS social programs.
		(4.2c) Implementation plans approved for financial inclusion guidelines for at least one MIDIS program.
	(4.3) Implementation of a new local management model for Juntos.	(4.3a) Juntos program managers working under the program management model's system of field operations.
		(4.3b) Approval and implementation of new activities of the zone technical coordinator, including, inter alia: supervision of local managers, implementation of the Juntos program in the area, and coordination with local and sector authorities.
	(4.4) Reorganization of MIDIS social programs to optimize their management and improve the quality of their services.	(4.4) Approval and implementation of adjustments to Qali Warma and Juntos program operational processes in order to optimize their efficiency and support fulfillment of their institutional objectives.
	(4.5) Preparation of the "Incluir para Crecer" National Strategy in the priority areas of early childhood development and economic inclusion.	(4.5) Approval of rules to create financing mechanisms for the implementation of the "Incluir para Crecer" National Strategy.

\* See link, [Comparative Matrix](#). Conditions agreed for the second operation vs. Conditions agreed in the loan proposal for the first operation of the PBP.