Conditional Cash Transfer Programs in Latin America:

How Does Peru Measure Up?

Stephanie Bailey
Juliette Henke
Valerie Sathe
Allison Schwartz
With contributions from Sehwa Lee

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Executive Summary

Conditional cash transfer programs (CCTs) are means-tested programs aimed at poverty reduction offering cash to the poor with conditions requiring families to invest in the human capital of their children. Several Latin American countries have instituted CCT programs granting subsidies to families based on participation in education and healthcare programs. So far, many of these programs have proven quite successful.

Brazil’s Bolsa Escola program began in 2001 and adopted a model of local administration paired with federal financing to expand a regional CCT program nationally. Since program inception, school enrollment has increased, as has women’s autonomy in the household. Oportunidades in Mexico directs cash transfers toward women living in extreme poverty that have access of schools and health clinics. The program’s successes (improvements in school enrollment and health and nutrition for children and adults) are well-documented, in part because evaluations were part of the original program design.

In light of the successes of these programs, Peru created Juntos, a CCT program that began in August 2005. The program seeks to develop human capital and break the inter-generational cycle of poverty through increasing access to education, health care services, nutrition, and basic identity (Juntos 2007). Similar to Bolsa Escola and Oportunidades, Juntos provides cash transfers to female heads-of-household with children under fourteen years of age. As of 2006, a total of 320 districts in Peru were served by Juntos.

Exploratory research indicates that both childhood enrollment and health care visits have increased in districts served by Juntos. Women and their entire households have also benefited from greater access to health care, and women enjoy greater autonomy in the home as they control the income receive through the transfers.
While Juntos has made progress, it is not without flaws. This paper highlights several challenges and proposes program modifications to overcome these challenges. Program design challenges include deciding how large the transfers should be for families with varying numbers of children. Currently, families of all size receive the same amount of money each month, which does not cover the opportunity costs of sending all children to school. Encouraging children to attend secondary school is another program design failure, as the program’s maximum age of fourteen places a focus on primary school attendance, even though primary school attendance was virtually universal before Juntos was instituted. Possibilities for overcoming these program design flaws involve increasing transfer amounts for families with more children and increasing the age of program eligibility to eighteen.

Remaining challenges involve implementation issues related to targeting beneficiaries, distributing benefits, service quality and capacity, noncompliance, evaluation, dependency, political interference and sustainability. One of the greatest targeting problems is leakage, or the inclusion of households that do not need cash transfers. To combat this issue, targeting mechanisms should have ability to accurately identify households that are most unlikely to comply with a condition without incentives, and therefore will have the highest marginal response to a CCT (de Janvry 2005). Along with the increased demand for educational and health services related to the program, the supply and capacity to deliver these services must increase as well. Research to determine if schools and health clinics can support the increased demand for services is necessary in all districts before setting-up conditions related to these services. Finally, methods of evaluating Juntos are not currently specified, but tracking the program’s success is imperative for continued growth and success. As Juntos continues to
expand, the government should include the cost of evaluation as part of its budget to ensure valuable evaluation activities are carried out.

I. Introduction

Poverty alleviation has been a primary concern for a multitude of non-governmental organizations, international aid organizations and domestic policy makers for many years. The understanding that poverty affects not only the impoverished, but an entire society has led to a variety of innovative poverty alleviation strategies. One of the most recent of these strategies are conditional cash transfer programs (CCTs), means-tested programs that offer cash to the poor with conditions requiring families to invest in their children’s human capital. Common conditions include school attendance requirements and regular preventive healthcare (World Bank 2006a). Cash transfer programs have become commonplace in Latin American countries under the belief that “human capital can be enhanced as a development vehicle by providing money to families to persuade them to invest in themselves through greater participation in education and health services” (Hall 2006). A principle underlying this belief is that a lump sum transfer of cash maximizes the social welfare of both the providers and receivers (Bawden 1972).

In their infancy, CCT programs have shown promise in increasing school enrollment rates, improving health and increasing household consumption. However, CCTs do not change the “elements in the underlying economic structure” that create poverty (Denes 2003). Because CCTs are not suitable solutions for all poverty-related problems, and empirical studies of program results have not occurred regularly for all programs, this paper seeks to further evaluate the effectiveness of CCT programs with a particular focus on Peru’s Juntos (Together) program. An examination of the successes and challenges faced by CCTs in Brazil (Bolsa Escola) and
Mexico (Oportunidades) is followed by an overview of poverty in Peru, a review of Juntos’ progress and potential challenges to successful poverty alleviation using CCTs in Peru.

II. Conditional Cash Transfers in Brazil: Bolsa Escola

A. History and Rationale

The economy of Brazil and the welfare of its people have been increasing over the past few decades, but not quickly enough to lift the poorest Brazilians out of poverty. In 2000, Brazil’s per capita GNI was US$7,150, up from $5,140 in 1990 and $3,550 in 1980. Today, Brazil ranks 56th in the world in per capita GNI, but has a persistent poverty rate of 18.57 percent (World Bank 2005a). Despite its middle-income status, Brazil consistently ranks among the world’s most unequal nations, with a Gini coefficient of 59.3 in 2001 (UNDP 2005). In 2001, 8.01 percent of Brazil’s population lived on less than $1 per day. In 2003, 11.9 percent of the adult population was illiterate, and in 2002, Brazil’s Human Development Index ranking was 57th in the world (Globalis 2007). Although Brazil is no longer among the world’s poorest nations, it struggles with a wealth gap and is working to combat the extreme poverty many Brazilians face.

In 1995, the Federal District of Brasilia began to experiment with a new poverty reduction strategy. The idea, to transfer income to poor families thereby allowing them to keep their children in school, was born at the University of Brasilia in the 1980s (Cardoso and Portela Souza 2003). In 1996, the model was awarded a prize from the UN and by 1999, a total of 61 states and individual municipalities in Brazil replicated Brasilia’s program. However, the CCTs cost poorer states up to 20 percent of their budgets, rendering them less feasible than Brasilia’s
program, which totaled only one percent of its annual budget. For this reason, the program was nationalized in 2001 under the name Bolsa Escola. Bolsa Escola’s decentralized model of local administration paired with federal financing is unique among CCTs in Latin America. Bolsa Escola currently costs each Brazilian R$12 per year (US$5-6), with program costs at seven percent of the distributed benefits (Cardoso and Portela Souza 2003).

As a federal program, Bolsa Escola is designed to address current poverty reduction, child labor reduction and future poverty reduction. As of 2003, Bolsa was implemented in almost all of Brazil’s 5,561 municipalities, providing US$700 million to 8.6 million children in 5.06 million families. In 2005, Bolsa Escola was second only to Mexico’s Oportunidades in size (de Janvry et al 2005).

B. Program Design

1. Targeting Benefits

Though financed by the federal government, one of Bolsa Escola’s most unique features is the use of municipal governments to identify beneficiaries using a means test.1 At a minimum, qualifying families must have children between ages six and fifteen enrolled in primary or lower secondary school (pre-school age children and adolescents are not included), and the household must earn less than half of the national minimum wage. As of December 2006, the national minimum wage is R$350 (about US$164.28) per month, with the maximum household income for beneficiaries originally set at R$90 per capita per month. Because there is not adequate financing for all qualifying families to benefit, the federal government decides how many federally funded stipends it can provide to each municipality based on need. Within general

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1 In October 2003, Bolsa Escola merged with 3 other CCT programs to create Bolsa Familia, whose goal is to reach 11.2 million families or 44 million people. These three programs require school attendance, childhood immunizations and prenatal care and beneficiary selection is no longer as decentralized as it was under Bolsa Escola.
guidelines, municipalities then choose which qualifying households will receive the stipends based on local goals and priorities (de Janvry, et al. 2005).

The average Bolsa Escola beneficiary family has five members and a per capita income of R$17 per month. A study of the targeting methods of municipalities reveals that only 85 percent of municipalities use all three of the federal requirements to choose beneficiaries, and 79 percent created additional requirements. The federal requirements that are most often ignored are the age and enrollment criteria, with income playing the largest role in targeting beneficiaries. Additional screening methods used in municipal targeting include the number of children in a household (households with more children receive highest priority), households headed by women, households with malnourished children, and the condition of a household’s dwelling. Only 38 percent of municipalities used any form of geographical targeting to begin registering beneficiaries. Of that 38 percent, 62 percent targeted the poorest neighborhoods. Others targeted neighborhoods closest to schools, with easy access to the target group, or the most rural communities (de Janvry, et al 2005).

Although the federal guidelines do not require municipalities to verify self-declared information, 65 percent of municipalities check income by consulting community members, conducting home visits, or requesting proof of income (de Janvry, et al 2005). Federal guidelines also do not outline procedures for transparency. However, in 92 percent of municipalities, the population was informed about the beneficiary selection criteria. Eighty-five percent of municipalities made the list of beneficiaries public, usually through billboards (de Janvry, et al 2005).
2. Benefits (Amount and Distribution)

Federal Bolsa Escola payments are transferred electronically in the form of a debit card that can be used at any of the 2,000 financial institutions and 8,500 automatic teller machines in Brazil. The benefits are paid by a Brazilian government bank, Caixa Econômica Federal. The stipends, paid to the female head of household, have no restrictions and can be used for any purpose, although they are generally spent on food and medicine. Families receive a stipend of R$15 per child each month with a maximum benefit of R$45 per month (Aguiar and Araújo 2002).

The only federal requirement for families to receive Bolsa Escola stipends is that all children ages 6-15 attend school at least 85 percent of the time. To monitor this condition, municipalities are supposed to collect attendance records from school districts and forward the information to the Ministry of Education and Caixa Econômica Federal. Though non-compliance should eventually result in penalties, the Ministry of Education reports it has received attendance records from only 19 percent of schools (de Janvry et al 2005). In addition to the federally mandated school attendance requirement, 33 percent of municipalities required parents to comply with other conditions, such as attending school meetings, cleaning and maintaining the school, attending school to learn how to read, keeping vaccination records up-to-date or furnishing receipts for money spent (de Janvry et al 2005).

C. Outcomes for Children

In Brazil, the negative impact of child labor on educational attainment is larger for children living in rural areas than for those in urban areas. Working children in Brazil usually enter school four months after children who do not work, and lag behind in grade by .05 years for every year they remain working (Cardoso and Portel Souza 2003). As families face the
immediate needs of extreme poverty, including lack of food, clothing and medicine, children are often sent to work in the informal sector to supplement family income (Denes 2003). The high opportunity costs associated with school attendance result in a low valuation of the returns on a child’s education, low school attendance and high rates of child labor (Cardoso and Portel Souza 2003). Bolsa Escola may serve as a catalyst for more rapid declines in child labor as experienced by other countries. As child labor is replaced by cash transfers, the stigma associated with sending a child to work may grow and child labor will tend to fall off quickly (Cardoso and Portel Souza 2003). To date, no research in Brazil has confirmed this hypothesis.

Traditional educational policies in Brazil aimed at improving human capital and educational attainment were supply-side focused, with funds dedicated to improving teaching and materials. However, if children do not attend school, supply-side policies are ineffective and demand-side solutions like CCTs are more appropriate. Because early entry into the labor force reduces lifetime earnings by 13 to 17 percent and increases the probability of being poor later in life by 7 to 8 percent, Bolsa Escola presents the potential for positive outcomes in reducing child labor and future poverty (Cardoso and Portel Souza 2003).

School enrollment rates in Brazil are as high as 96 percent, but only 37 percent finish primary school. CCTs are vital to improving school attendance not only because attendance is required to receive cash, but because they reduce the impact of economic shocks. In Brazil, when the parents of a child in the lowest income quartile experience a shock, the child’s probability of dropping out of school increases 42 percent. For those children who remain in school after their parents experience a shock, grade repetition increases by 23 percent (Cardoso and Portel Souza 2003).
Unfortunately, the rigorous, full-scale evaluations that exist for Mexico’s Oportunidades do not yet exist for Bolsa Escola (de Janvry, et al 2005). Nonetheless, Bolsa has demonstrated positive results. Prior to the national expansion, grade promotion rates in the Federal District of Brasilia were 8 percent higher for program beneficiaries than for non-beneficiaries. At the same time, the dropout rate decreased from 10 percent to 0.4 percent (World Bank 1997; de Janvry, et al 2006). The number of children age 10 to 14 who were working in Brasilia decreased by 31.2 percent and the number of street children in Brasilia decreased by 36 percent (Denes 2003).

Since nationalizing the program, school attendance has increased by 7.8 percent. Unfortunately, failure rates have also increased by 1.8 percent. This increase in failure rates is likely due to the increased presence of less-motivated students who would otherwise drop out (de Janvry, et al 2006).

A final unexpected outcome for children is that they are increasingly seen as important members of the family. They often demonstrate interest in how the CCT money is used and are more complicit with their mothers, who now control a large share of the family income (Aguiar and Araújo 2002).

**D. Outcomes for Women and Households**

In 2002, 91.8 percent of Bolsa Escola applicants were women. Although only 24 percent of households in Brazil are headed by women, 41 percent of Bolsa Escola applicants are female heads of households (Aguiar and Araújo 2002). The income women receive from Bolsa Escola is generally spent on food and medicine, benefiting the entire household (Denes 2003). UNESCO asserts that Bolsa Escola involves the entire family in the “fight for quality education for all,”
offering women greater participation in education policy, although no specific evidence is offered to support this claim (Aguiar and Araújo 2002).

One verifiable outcome for women is based upon their new role as manager of the supplemental income provided by Bolsa Escola. This new role increases women’s autonomy in the home and ability to provide essential nutrition to their children, who may otherwise not receive that attention if the money were controlled by men. CCTs also increase the willingness of women to talk about their children’s schooling, budget issues and problems in the home. Focus groups and surveys of Bolsa Escola mothers consistently show increased awareness in the importance of self-esteem and self-improvement. One qualitative study also reports decreases in the incidence of domestic violence in Bolsa Escola families, in part because of decreased tension over lack of income. Although Bolsa Escola has no formal program for the education of women, reports show an increased interest among Bolsa Escola mothers in returning to school – an important outcome that could reduce family poverty after households are no longer eligible for CCTs (Weiselfisz, Abramovay and Andrade 1998, as cited in Aguiar and Araújo 2002).

**E. Factors Driving Success**

Bolsa Escola claims one of its biggest successes is devolving decision-making on targeting practices to the municipal level, while leveraging the financing capabilities of the federal government. While this may indeed contribute to success, it is hard to determine what other factors lead to success because the devolution of power leads to great heterogeneity in all aspects of the program (de Janvry et al 2005). If Bolsa Escola was implemented in exactly the same way in every region, determining successful elements would be simpler, but the inability to tailor the program to local needs might be devastating to its overall success.
According to a 2005 World Bank report, one factor contributing to success is the social councils required by the federal government in all municipalities participating in Bolsa Escola. Although only 81 percent of communities have complied with this requirement, those social councils that do exist “approve the list of selected families, verify the school attendance of beneficiary children, and address complaints about the program” (de Janvry, et al 2005). Because 50 percent of the social council members must be non-governmental, community members are offered a voice in the administration of the program. These social councils are credited with having positive impacts on the quality of program implementation (de Janvry, et al 2005).

**F. Remaining Challenges**

Bolsa Escola continues to grow and offer opportunities for improved poverty alleviation. However, to lift families out of their current poverty, the amount of the transfers must increase. As Bolsa Escola changes from choosing beneficiaries via a simple means test to a scoring system, there is even more room for improvement:

1. Because each municipality chooses their own beneficiaries, Bolsa Escola can *customize the scoring system* for each locality and their unique challenges.

2. Municipalities may be hurting the program by not targeting the poorest regions of Brazil. This is an opportunity for the federal government to steer the program in the direction of the poorest regions for maximum benefit. The current targeting system includes a residency requirement that excludes many poor families who would otherwise be eligible. *Reducing this residency requirement to one year* could allow the program to reach many more families.
Lastly, beneficiaries are chosen only from families with school-age children, excluding families with only pre-school children and adolescent children. *Including all families with children* in the CCT is a necessary step toward poverty eradication in Brazil.

III. Conditional Cash Transfers in Mexico: Oportunidades

A. History and Rationale

Despite its middle-income status, Mexico suffers high levels of inequality. According to figures from Mexico’s Social Development Ministry, in 2000, roughly one quarter of its population was living in extreme poverty, defined as having insufficient income to cover basic food needs (Parker 2003). Before 1996, Mexico’s poverty alleviation programs did little to address the problem. According to former Deputy Minister of Finance and Brookings Scholar, Santiago Levy, Mexico’s pre-1996 food, health, and education programs were plagued by design deficiencies, lack of coordination, lack of transparency, rising costs, ineffectiveness, rural/urban imbalances, and poor evaluation (Levy 2006).

Spearheaded by Santiago Levy, in 1997, the Mexican government developed PROGRESA, later renamed Oportunidades,\(^2\) as part of a larger effort to strengthen redistributive public spending.\(^3\) Recognizing the positive synergies between education, health, and nutrition, Oportunidades uses an integrated approach to more effectively enhance the capabilities of the poor and promote long-term development (Levy 2003). Through conditional cash transfers that require poor families to send their children to school and visit health clinics, Oportunidades

\(^2\) Though originally named PROGRESA, the program is hereinafter referred to as Oportunidades.

\(^3\) In fact, the program was originally financed using revenue from a reduction in subsidies targeted at the urban middle class (Parker, 2003).
seeks to alleviate current poverty while investing in human capital of the future generation. Oportunidades benefits are distributed to women, most likely the mother of the house, because literature suggests women are more likely than men to spend resources under their control on the well-being of the entire family (Parker 2003).

Oportunidades has enjoyed great success since its inception in 1997. Originally designed to serve rural families, the program expanded to serve urban families after 2000. By 2003, Oportunidades served over 4.2 million families – roughly 20 percent of Mexico’s total population – and became the Mexican government’s principal poverty alleviation program, representing 46.5 percent of federal anti-poverty spending (Parker 2003). With a budget of almost US$3 billion in 2005, the program now serves over 5 million families (Levy 2006).

B. Program Design

1. Targeting Beneficiaries

Oportunidades seeks to redistribute benefits to families living in extreme poverty. Oportunidades uses a rigorous three-step process to identify eligible households. First, poor communities are identified using a “marginality index” derived from national census data. Since Oportunidades requires children of beneficiaries to regularly attend school and visit health centers, localities without access to education or health facilities may be excluded from the analysis. While this is likely to exclude some of the poorest households, some commentators regard this as a consequence of the program as it was designed, not a failure of the program to target the appropriate households (Skoufias et al 2001). Once communities are identified, household surveys are administered in each locality to gather information on household characteristics. These results are then analyzed by the central government using regression analysis to determine which families qualify as poor. Finally, the list of beneficiaries is
forwarded to community assemblies for feedback on whether families were erroneously excluded or included (Parker, 2003; Skoufias et al 2001).

Though this method is resource intensive, evaluations administered by the International Food Policy Research Institute (IFPRI) found that Oportunidades better targets households living in extreme poverty than alternative methods (Skoufias et al 2001). For example, income measures of poverty tend to be less reliable as an indicator for the extremely poor, as self-reported income is difficult to verify. In some cases, however, over 90 percent of small communities received benefits, suggesting a simple geographic measure of poverty would have been sufficient for targeting (Parker, 2003). Unfortunately, Oportunidades’ targeting mechanism results in more errors in identifying moderately poor households, of some concern as the program moves into less marginal communities (Skoufias et al 2001).

2. Benefits (Amount and Distribution)

Oportunidades benefits include three components: education, health, and nutrition. Eligible families are entitled to grants for each child under 22 years old who is enrolled between the third grade of primary school and the third grade of high school. During the initial phase of the program, grants were limited through secondary school. However, this parameter was modified when the program changed from PROGRESA to Oportunidades. Educational grants increase as the child advances to higher grades and beginning in secondary school, grant levels for girl children are approximately 10 to 15 percent higher. In 2003, monthly educational grants ranged from US$10.50 per child for children in the third grade of primary school, to approximately US$58 for boys and US$66 for girls in the third grade of high school. In 2000, President Vicente Fox announced Jovenes con Oportunidades, which provided incentives for youth to complete high school. This supplemental program deposits “points” in the child’s
account for each year of high school completed. Points are redeemed by the child upon completion of high school to fund college, purchase health insurance, get a small business loan, or apply for public housing (Parker, 2003).

Oportunidades also provides health-related benefits to program participants, including basic health care for all family members, specifically focusing on preventative care. Nutritional benefits include a fixed stipend for improved food consumption, totaling approximately US$15.50 per month in 2003. Additionally, nutritional supplements are targeted to all children aged four months to two years, children aged two to four years diagnosed with malnutrition, and pregnant and lactating women (Parker, 2003).

By 2004, Oportunidades beneficiaries averaged US$31 per month, with lower and upper limits of US$15 and US$153, respectively (Levy, 2006). Benefits are disbursed every two months and adjusted every six months for inflation. To ensure optimal allocation of family resources, all transfers are paid directly to a woman, most often the mother. Should the beneficiary have access to a bank account, benefits are disbursed using direct deposit. For families without access to financial services, particularly in rural locations, benefits are received at modules with on-site check cashing facilities (Parker, 2003).

Receipt of benefits is conditional on satisfying various “co-responsibilities.” First, educational grants are tied to regular school attendance for children, defined as no more than three unjustified absences per month. Attendance is verified by school records that are forwarded to Oportunidades; families who do not comply with the conditions are ineligible to receive that month’s benefits. Families must also complete a schedule of health visits in order to receive nutritional benefits. Like school attendance, health visits are verified by Oportunidades using clinic records (Parker, 2003).
Since Oportunidades’ goal is to help lift families out of poverty, the program has a reevaluation mechanism for participating families. Eligibility status is reevaluated every three years using the household survey technique described above. As of 2003, households who remain poor are entitled to receive the same benefits, while households classified as non-poor receive limited, time-bound benefits. Non-poor houses are transitioned from Oportunidades to EDA, which includes secondary and high school education grants, health benefits, and nutritional supplements for a period of three years. After three years, they are no longer entitled to benefits. Under the current regulations, households can forever be reclassified as poor and receive the full stream of benefits. As of 2003, no beneficiary had been disqualified from the program (Parker, 2003).

**C. Outcomes for Children**

Oportunidades has undergone several rigorous evaluations since 1997 by the Washington, DC-based International Food Policy Research Institute (IFPRI). The series of evaluations was based on repeated surveys of individuals from 24,000 households across 506 localities. Participants were randomly assigned to treatment (PROGRESA) and control (non-PROGRESA) groups; groups underwent “treatment” for approximately 18 months. During the pilot phase, data also included surveys, structured and semi-structured interviews, workshops, and focus group data (IFPRI, 2002). Several evaluations have since been updated.

IFPRI carried out extensive research on education and health outcomes for children. A 2000 evaluation found higher enrollment rates under Oportunidades for both boys and girls at the primary and secondary school levels. Though primary enrollment is over 90 percent for both genders, enrollment in primary schools increased 1.07 percentage points for boys and 1.45 points for girls. Secondary school enrollment rates increased 3.5 to 5.8 percentage points from 73.
percent for boys and an impressive 7.2 to 9.3 percentage points from 67 percent for girls. This study also found increased schooling among the poor (Schultz, 2000, as cited in IFPRI, 2002). Other studies found the program was associated with younger school entry, less grade repetition, better grade progression, lower dropout rates, and higher (though unsustainable) school re-entry rates for dropouts. Larger positive effects for entry into the upper grades of secondary school were found for boys, despite higher incentives offered for girls (Behrman, Sengupta, and Todd, 2000, as cited in IFPRI, 2002). Unfortunately, these evaluations found no evidence of enhanced school performance as measured by time spent in school, time spent on homework, and scores on standardized tests. Despite this finding, teachers and school administrators report positive educational outcomes for Oportunidades students (Skoufias and Parker, 2001; Behrman, Sengupta, and Todd, 2000, as cited in IFPRI, 2002). Finally, evaluations suggest lower labor-market participation rates among Oportunidades children (Skoufias and Parker, 2001, as cited in IFPRI, 2002).

Evaluations of health outcomes for children report positive findings as well. Oportunidades children up to five years old had a 12 percent lower incidence of illness than non-Oportunidades children. Participation in the program significantly enhanced nutrition monitoring visits and immunization rates. Finally, the program revealed significant impacts on increasing child growth – up to 16 percent – and reducing child stunting for children aged 12 to 36 months (Gertler, 2000, as cited in IFPRI, 2002).

D. Outcomes for Women and Households

According to the IFPRI evaluation series, adult women and households experienced positive effects from Oportunidades as well. As a result of the provision of health benefits to family members, adult members of beneficiary households were significantly healthier. Adult
beneficiaries report higher clinic visit rates, fewer days with difficulty due to illness, fewer days spent incapacitated, fewer days in bed, and greater ability to walk without tiring. The study also found greater prenatal care among women beneficiaries, increasing the number of initial visits during the first trimester by about 8 percent (Gertler, 2000, as cited in IFPRI, 2002).

Oportunidades households also experienced improved consumption patterns from the nutritional and education transfers. Beneficiary households increased consumption by nearly 15 percent, while median food expenditures increased from 2 percent to 10.6 percent of total household expenditures. The increase in food expenditures and caloric intake has also been accompanied by greater spending on fruits, vegetables, meats, and animal products, suggesting a higher quality diet for recipient families (Hoddinott, Skoufias, and Washburn, 2000, as cited in IFPRI, 2002). Finally, studies found that over time, husbands are less likely to be the sole decision makers in Oportunidades households.

However, since Oportunidades benefits are conditional upon satisfying co-responsibilities, receipt of benefits does not come without costs to the family, often borne by women. Studies indeed confirm that the time spent satisfying conditions is significant for women, who devote more time to transporting household members to schools and clinics and greater community participation. Nonetheless, these increases in private costs do not appear to have negative labor force participation effects for either men or women (Adato, 2000; Atado, et al, 2000; Parker and Skoufias, 2000, as cited in IFPRI, 2002).

E. Factors Driving Success

Oportunidades is heralded as a great success due to the positive outcomes experienced by children, women, and households. It is a model for CCTs that have since been implemented throughout Latin America. In recognition of the program’s great success, in 2002, the Inter-
American Development Bank (IADB) approved a US$1 billion loan to Mexico for expansion of the program into urban localities. It was the largest single loan issued by IADB to Mexico to date (IADB, 2000).

The success of the program is no doubt attributable to the priority given to conducting rigorous evaluations. Since evaluations were planned from the program’s outset, evaluators were able to gather baseline statistics and construct an experimental design, yielding robust results in less than two years. Moreover, because the Mexican government contracted the evaluations to an independent Washington, DC-based research institute, which in turn hired prestigious economists, the results were difficult to refute. In fact, when announcing its $1 billion in support to Oportunidades, IADB officials noted that “PROGRESA is one of the few poverty-reduction programs that has been able to prove its impact on the levels of schooling of its beneficiaries, their use of health services, the quality and quantity of their food, and the reduction of child labor” (IADB, 2002).

Not only did IFPRI’s evaluations help justify continued expansion of the program, but they also safeguarded the program against political whims. When former President Vicente Fox took office in 2000 after more than 70 years of opposition party rule, he continued PROGRESA under a new name with minimal changes. This is especially salient given Fox’s initial lack of support for the program and the tendency in Mexico for new administrations to revamp programs in an attempt to “make their mark” on poverty (Parker, 2003).

Finally, Oportunidades benefited from effective implementation resulting from technical expertise and inter-sector cooperation. Santiago Levy, the original architect of the program and former Deputy Minister of Finance, published academic papers on similar cash transfer schemes in the early 1990s. While Levy was integral to the design, the program also benefited from
skilled personnel in the areas of survey design, research, and computer skills. In addition, relevant ministries, including Health, Education, Finance, and Social Development, were able to cooperate for the sake of the program (Parker, 2003).

F. Remaining Challenges

While Oportunidades is indeed a success, it faces challenges in the years to come. First, evaluations need to extend over longer time frames with new populations. Since the original evaluation began in the late 1990s and lasted only 18 months, Oportunidades faces a lack of longitudinal data that can capture the medium and long-term effects of the program. IFPRI began a new rural evaluation phase in 2003, tracking the original treatment and control groups and adding a new control group. Updates, however, have been slow. Moreover, initial research focused on rural households, as this was the population originally targeted. An urban study is underway. Second, long-term dependency is a financial and social concern, as eligibility rules allow for indefinite benefit renewal under the condition that the family remains poor. Finally, because of the strict targeting mechanism, tensions have developed in communities where some residents are covered by the program, but others are not (Parker, 2003). This is particularly problematic as the program extends to less marginal communities, where the targeting mechanism is generally less precise.

IV. Poverty in Peru

A. General Trends

Peru faces high levels of poverty and inequality, with over half of Peru’s population poor and about 20 percent extremely poor in 2004 (See Table 1). Peru’s poverty levels are below
those of neighboring Ecuador and Colombia, but above those of Argentina and Brazil based on a US$2 per day poverty line (World Bank 2005b).

There is a large economic gap between urban and rural areas, with poverty in rural areas significantly higher than urban districts. Rural poverty stands at 72 percent and extreme rural poverty at 40 percent, while in urban areas the rates are 40 percent and 8 percent, respectively. Poverty is also higher and deeper in the Highlands and Jungle compared to the Coast.

### Table 1. Poverty Rates in Peru, 2004

<table>
<thead>
<tr>
<th>Region</th>
<th>Poverty (%)</th>
<th>Extreme Poverty (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td>51.6</td>
<td>19.2</td>
</tr>
<tr>
<td>Urban</td>
<td>40.3</td>
<td>7.9</td>
</tr>
<tr>
<td>Rural</td>
<td>72.5</td>
<td>20.3</td>
</tr>
<tr>
<td>Urban Coast</td>
<td>37.1</td>
<td>6.2</td>
</tr>
<tr>
<td>Lima</td>
<td>36.6</td>
<td>3.4</td>
</tr>
<tr>
<td>Rural Coast</td>
<td>53.5</td>
<td>14.6</td>
</tr>
<tr>
<td>Highlands</td>
<td>67.7</td>
<td>36.5</td>
</tr>
<tr>
<td>Jungle</td>
<td>59.5</td>
<td>26.4</td>
</tr>
</tbody>
</table>

Source: INEI 2004

**B. Employment**

In Peru, only about one half of the labor force is fully employed, about a tenth unemployed and the remainder underemployed (World Bank 2002). Of those who work, more than half receive poverty wages, or less than $1 per hour (World Bank 2002). Even with a university education, earnings remain low. About a third of workers with university degrees also earn less than $1 per hour (World Bank 2002). In urban areas, women earn 54 percent of the income earned by men, even when equally qualified (USAID 2003). Of the total underemployed population, 30.2 percent are male while 50.8 percent are female (USAID 2003). At the national level, men make up a larger percentage of those adequately employed, 66.6 percent versus only 33.4 percent of the women (USAID 2003).
C. Health

Infant and maternal mortality rates are improving in Peru. Infant mortality dropped from 60 per 1,000 live births to 24 per 1,000 from 1990 to 2005 (World Bank 2005b). Maternal mortality overall dropped from 265 per 100,000 to 185 per 100,000 from 1993 to 2000 (World Bank 2002). However, infant and maternal mortality continue to be much higher in rural areas than urban areas.

Table 2. Social Indicators of Poverty in Peru

<table>
<thead>
<tr>
<th></th>
<th>National</th>
<th>Urban Peru</th>
<th>Rural Peru</th>
<th>Latin America</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chronic Malnutrition (children under age 5)</td>
<td>25%</td>
<td>13%</td>
<td>40%</td>
<td>12%</td>
</tr>
<tr>
<td>Infant mortality (per 1,000 live births)</td>
<td>33</td>
<td>24</td>
<td>45</td>
<td>30</td>
</tr>
<tr>
<td>Mortality under age 5 (per 1,000 live births)</td>
<td>48</td>
<td>--</td>
<td>--</td>
<td>38</td>
</tr>
<tr>
<td>Female illiteracy</td>
<td>17%</td>
<td>12%</td>
<td>43%</td>
<td>13%</td>
</tr>
<tr>
<td>Fertility rate</td>
<td>2.9</td>
<td>2.1</td>
<td>4.6</td>
<td>2.6</td>
</tr>
</tbody>
</table>


Other health indicators remain below average for Peru’s income level. While acute malnutrition of children under age five is relatively low, there are very high levels of chronic malnutrition (25 percent in 2000). In contrast with countries with comparable income levels to Peru, the rate of chronic malnutrition is twice the rate of Colombia and four times that of the Dominican Republic (World Bank 2002). Chronic malnutrition is largely a problem in rural Peru.

D. Access to Education

Access to education is widespread, and from 1997 to 2001 there was an important increase in access to secondary education, increasing to 74 percent attendance in urban areas (up 3.5 percent) and to 44 percent in rural areas (up 7 percent). At the primary level, attendance rates for poor and non-poor students are 99.7 percent in 2002. (World Bank 2006b).
Nevertheless, education sector exhibits several critical problems that reduce its impact on the poor in both urban and rural areas. Many poor people find that the opportunity costs of attending school are too high, reducing the demand for education (World Bank 2005b). Because education quality is low, and opportunities available after finishing school are limited, many families prefer to have their children work and earn extra income, even if a small amount, rather than attend school (World Bank 2005b). This problem is compounded in rural areas that are underserved by good teachers who prefer to work in urban areas. Also, teacher absenteeism is very high in rural areas, causing low effective hours of instruction (250 hours per year compared to nationally mandated 1050 hours) (World Bank 2002). Indigenous school attendance is especially low, in part because of lack of adequate bilingual/bicultural curricula for the indigenous population (World Bank 2005). Overall, children in Peru are performing poorly on standardized tests, with rural indigenous children most seriously under-performing. Only 22 percent of 6th graders from Lima and less than 2.2 percent of students in rural areas passed the comprehension test (World Bank 2002).

E. Illiteracy

Women’s illiteracy rates are nearly three times those of men’s (17 percent and 6.1 percent, respectively), and higher than the Latin American countries’ average of 13 percent for women (World Bank 2002). Poor women are three times more likely to be illiterate as their non-poor counterparts, and nearly half of poor rural women are illiterate (World Bank 2002).

The social programs designed to address these issues of poverty and inequality that show positive results are usually local in nature, without the capacity to expand nationally. And although Peru has recently experienced a period of unprecedented growth, the benefits of this growth have not reached the poorest segments of Peruvian society. This is because Peru’s
poverty is chronic and endemic, not episodic; and because recent economic growth has occurred mainly in the mining, finance and construction sectors, benefiting those in the modern, formal economy much more than the rural poor and those in the informal sector (Francke and Mendoza 2007). Given the characteristics of poverty in Peru, innovative social development mechanisms capable of catalyzing growth in Peru’s poorest districts are necessary.

V. Conditional Cash Transfers in Peru: Juntos

A. History and Rationale

Juntos began operations in August 2005 as part of the out-going President Alejandro Toledo’s initiative to provide assistance to his most impoverished constituents. The program seeks to develop human capital and break the inter-generational cycle of poverty through increasing access to education, health care services, nutrition, and basic identity (Juntos 2007). Juntos was designed as a third-generation social program, distinct from first-generation programs that offered transfers without conditions, and second-generation programs that were limited to issues of food security and connecting poor families with the economy (Francke and Mendoza 2007).

Juntos is semi-autonomous and exists under the President’s Council of Ministers, outside the control of any single ministry, but in cooperation with the ministries of Education, Health, and Women and Social Development. Juntos also consults and cooperates with the National Institute for Statistics and Information, the National Register of Identification and Civil State, the National Bank, the National Program for Food Assistance, the Program for Food Assistance for the Most At-Risk Groups, the National Crusade for the Right to Name and Identity, the Integral
System of Health, the Compensation and Social Development Fund (FONCODES), and the National Glass of Milk Program (Francke and Mendoza 2007). These partnerships make Juntos a unique and pioneering social program in Peru.

The idea for the Juntos program was inspired by Oportunidades in Mexico and Bolsa Escola in Brazil. During the planning phase of Juntos, an agreement for permanent cooperation was formed between Juntos and Oportunidades, and before implementing the program, several high-level Juntos officers visited Mexico to obtain relevant information about how Oportunidades is administered (Francke and Mendoza 2007). Several other domestic and international issues also contributed indirectly to the formation of Juntos, including:

2. Peru’s *Acuerdo National* (National Accord), 28 goals for Peru designed to withstand changes in political power, agreed upon at a meeting of top political and social forces in March 2002.
3. The National Plan for Overcoming Poverty which aims to develop human capacity and respect for fundamental rights, promote opportunities and economic capacities for the neediest sections of the population and establish and reinforce social protection networks.

Along with Oportunidades and Bolsa Escola, Juntos evaluated the strengths and weaknesses of Familia en Acción (Colombia), Puente-Chile Solidario (Chile), SPN (Nicaragua) and Superémonos (Costa Rica) before designing the CCT for Peru. One positive lesson learned from other CCTs was that the programs have the ability to stimulate local participation and empower social organizations, leading Juntos to pursue open and direct cooperative relationships between the State and the population (Francke and Mendoza 2007). Further innovations in Juntos based upon the experiences of other Latin American CCTs include the involvement of many
members of civil society, with less power vested in the State and a transparency committee to ensure civil society can participate with important roles; strict endpoint resource controls to ensure operational costs do not exceed 10 percent of the budget; and 30 percent of the total budget transferred to the ministries of Education, Health and Women and Social Development to provide for improved service quality and capacity (Francke and Mendoza 2007).

For the pilot phase of the program, 120 million soles (around US$40 million) were provided to finance Juntos in 110 districts. In 2006, an additional 360 million soles (around US$120 million) were provided to expand the program, including 210 new districts. The majority of the budget (60 percent) goes to the cash subsidies themselves, and the remainder is split between strengthening basic service supplies (30 percent) and operational costs (10 percent). It is interesting to note that the operational costs are considerably lower than the costs associated with Mexico’s Oportunidades (Villar and Vargas 2007).

![Juntos Financing Allocation](chart.png)

Within a month of the program’s inception, cash transfers were already being provided to the first district of Ayacucho. In its first year, the program served 110 districts in five of the poorest regions in the country. By the end of 2006, the program is expected to include a total of 320 districts in five more regions, covering 160,000 families that represent 68 percent of the households living in extreme poverty. These initial districts are mostly rural, with expansion to
urban districts expected in the coming years. As of 2006, Juntos’ budget amounted to 0.59 percent of the total national budget and 10 percent of the social development budget (Francke and Mendoza 2007).

Juntos has gained popularity since its inception. In fact, when there was concern that the program may not continue, women beneficiaries in Ayacucho organized a rally in defense of the program and sent petitions signed by the regional leaders to demonstrate their support for its continuation (Villar and Vargas 2007).

**B. Program Design**

1. **Targeting Beneficiaries**

   Targeting beneficiaries fairly is a challenge given the frequent and profound income fluctuations often experienced by the extreme poor. Eligibility requires that families have children under fourteen years of age. While the heads of household are most often women, widowers, grandparents and guardians are also eligible if they have children under fourteen (Villar and Vargas 2007). Families may have temporary income preventing them from qualifying for benefits, but no sustainable income source to lift them out of extreme poverty. Juntos attempts to avoid this problem in targeting while also seeking to avoid potential rivalries between beneficiaries and non-beneficiaries in the same community (Francke and Mendoza 2007).

   Rather than targeting individual families across the entire country at the same time, Juntos first targeted smaller regions and districts as “zones of intervention.” There were five original criteria used to select these zones: presence of extreme poverty, inequality, chronic childhood malnutrition, unmet basic needs, and level of political violence. These equally weighted variables came from the National Poverty Map with additional information contributed
by the Ministry of Economics and Finance and from the Report on Violence in the Country, created by the Truth and Reconciliation Commission. Juntos is the only CCT program which uses history of political violence as a regional targeting mechanism, in part to offer reparations to the victims of political violence (Francke and Mendoza 2007).

The second step in targeting Juntos recipients occurs at the household level. This stage involves a census of households in the selected districts using a socio-demographic questionnaire designed and implemented by the National Institute of Statistics and Information (INEI). To differentiate between poor and non-poor households in the district, INEI uses LOGIT regression on the probability of being a poor household as a function of several easily observable variables such as condition of living, public services the household relies upon, and demographic composition (Francke and Mendoza 2007). Other sources have suggested that eligible households lack access to at least two basic needs – running water, electricity, schools and health services (Chauvin 2005). Unfortunately, it is unclear exactly which variables this algorithm takes into account.

Finally, a community validation process serves to confirm the accuracy of the prioritized list of beneficiaries identified through the first two steps. The process brings together community and local authorities, along with representatives from health and education departments and the Roundtable Against Poverty (Mesa) to ensure that the regions and households chosen accurately reflect the realities of poverty in Peru.\(^4\) Community validation sessions also provide households with recourse if they feel they were wrongly included or excluded. (de Janvry 2005). According to program personnel, the number of households taken off the original list by the communal

\(^4\) Mesa began in 2001 with the main focus of bringing the fight against poverty to the center of the national agenda. It is a politically neutral organization that connects grassroots efforts to the national level. The National Mesa includes 8 Central Government members, 3 municipal representatives, and 12 civil society members representing NGOs, unions, and cooperative organizations. This national model is then reproduced at regional, provincial, and district levels. Mesa is a powerful tool for collective voice due to its structure (Cotlear 2006).
assembly is moderately low, between 10 and 15 percent (Francke and Mendoza 2007). In essence, community validation allows for the inclusion of the human perspective instead of relying solely upon data and statistical models.

2. Benefits (Amount and Distribution)

Households that are eligible for the Juntos program receive 100 soles per month (around US$33), approximately equal to the average monthly income per capita for families living in extreme poverty and 20 percent of the livable national minimum wage per capita (Francke and Mendoza 2007). Families receive the same subsidy regardless of the number of children they have.

As with similar programs, Juntos pursues a gender-based approach to cash transfers, granting CCTs to the female head of household for several reasons. First, women are generally seen as more responsible than men in making decisions in the best interest of the entire family. Since women tend to care for the children, directly providing women with assistance ensures that the children are helped as well. Second, it was thought that the program would help change family dynamics from a traditionally male-dominated structure toward greater familial equality (Francke and Mendoza 2007).

In order to receive the cash transfer, they must follow several conditions:

- Civic identification documents for themselves and their children
- 85 percent school attendance for children
- Vaccination, health, and pre/post natal care checks for the entire family, as well as attendance in related capacity building programs
- Participation in the National Nutritional Assistance Program package for children under three years of age
• Use of chlorinated water and anti-parasite medicine

Benefits are distributed at the end of each month to individual beneficiary accounts held at Peru’s Bank of the Nation, known for its extensive networks of branch offices. For remote regions without access to Bank of the Nation, benefits are disbursed at other community locations, such as municipal buildings. Since many families need assistance with translation or navigating financial services, local program developers are present at subsidy distributions to aid in the collection process (Francke and Mendoza 2007).

Every three months, representatives from Juntos visit the homes of the beneficiaries to monitor the family’s compliance, and that information is cross-checked with school attendance and healthcare visit records. If a family does not comply with all requirements, the cash transfer is suspended for three months. It is suspended indefinitely if the rules are broken again. Each year families are reevaluated to determine if they are still eligible to receive the transfers. Families are eligible to receive 100 percent of the benefits from Juntos for up to four years. After that, the transfer amount diminishes by 20 percent per year over the next four years. Thus after the eighth year, the family may no longer receive any transfers (Villar and Vargas 2007).

C. Outcomes for Children

According to exploratory research conducted by Niños del Milenio, a local NGO devoted to children’s welfare, Juntos has proven effective in helping children in a variety of ways. With regard to education, attendance has improved drastically. In one rural location, between 2005 and 2006 there was a 15 percent increase in school attendance. Indirectly, the

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5 Research methodology involved selecting two locations in Ayacucho, the region where Juntos first began. Arizona and Rosaspata were chosen due to their inclusion in other Niños del Milenio projects, their geographic accessibility, and their large proportion of children participating in the program. The study entailed the revision of secondary sources and official program documents, and interviews with various beneficiaries and non-beneficiaries including children and adults. A total of 50 interviews took place.
school attendance requirement has also discouraged teacher absenteeism, which is an issue in many rural areas.

Additionally, the cash transfers help increase parental involvement in their children’s schooling. It raised awareness as to the importance of education, so parents are more likely to enforce that importance at home as well. Further, there is anecdotal evidence to suggest that men who traditionally had to migrate to find employment opportunities are able to stay home and take a more active role in their children’s education and upbringing.

The healthcare requirements have also improved children’s lives. For example, between 2005 and 2006, there was a 200 percent increase in health clinic visits for beneficiary children, and a 30 percent increase in vaccinations (Villar and Vargas 2007). In addition, there are more health clinic visits for routine check-ups instead of only in cases of illness. Juntos also focuses on reducing child malnutrition, and it seems that as a result of guidance, families are starting to consume foods with higher protein contents, such as eggs, meat and milk, and in some cases have invested in farm animals as a form of savings. The requirements also seem to have reduced the hesitation of many rural people to visit health clinics, which is a positive step toward improving the overall health of these individuals (Villar and Vargas 2007).

D. Outcomes for Women and Households

Although the programs coverage as of December 2005 was less than a third of what was hoped (22,000 households), Juntos still made significant gains for women and households. One significant achievement for Juntos is the documentation of many previously undocumented citizens. Because beneficiaries must be documented to enter the program, this is a secondary
advantage of Juntos. As of February 2006, 11,000 people received documentation through the work of Juntos (Francke and Mendoza 2007).

According to one evaluation, 97 percent of women use their cash transfers to buy food and 85 percent use the money for school supplies (Francke and Mendoza 2007). Women and their entire households have benefited from greater access to healthcare. Evidence suggests that women beneficiaries have experienced a 65 percent increase in pre- and post-natal visits (Villar and Vargas 2007). There has also been a reduction in home births, a sign of progress in rural areas. Initial evaluations also suggest that entire populations are benefiting from access to improved services and healthcare, not just CCT beneficiaries (Francke and Mendoza 2007).

In addition to these improvements, there have also been significant changes in family dynamics. Because women receive the transfers, they are beginning to wield economic power in their relationships. In spite of the machismo so prevalent in Peru, some men have started participating more in domestic chores and child-rearing. It seems that because women are responsible for applying for and receiving the transfers, some male attitudes toward their female counterparts have begun to change (Villar and Vargas 2007).

VI. The Future of Juntos: Challenges and Recommendations

Conditional cash transfers originally modeled after the success of Mexico’s Oportunidades and Brazil’s Bolsa Escola are sweeping Latin America and the developing world. Drawing on the lessons learned from the experience of Oportunidades and Bolsa Escola, this analysis identifies several areas of concern for Peru’s Juntos. The following section will discuss concerns related to program design and program implementation and offer recommendations that address these concerns.
A. Program Design Issues

Perhaps the greatest concern over Juntos’ program design is that it is primarily focused on sending children to primary school, and places little to no emphasis on attaining secondary education. Peru had and continues to have a high primary school attendance rate of 97 percent and completion near 100 percent. However, at around 69 percent, secondary school attendance rates are drastically lower (UNICEF, UNESCO). By capping a family’s eligibility for children under 14 years of age, Juntos ignores the more pressing issue of secondary school attendance.

A second issue presented by the program design is that unlike with Oportunidades and Bolsa Escola, families with more children received the same subsidy. Whereas in Mexico the transfer amount was calculated using the expected child wage, there does not appear to be any rationale behind the 100 soles per month figure (Francke and Mendoza 2007). If the purpose of the program is reduce intergenerational poverty by encouraging families to educate their children, Juntos must provide benefits large enough to offset the opportunity costs of sending children to school. Families with more children have even more mouths to feed, making it difficult for them to forgo the short-term gains of sending their children to work.

Another area of concern is the limited duration of benefits. If a family enters the program with a one-year-old child, the family will be ineligible for any level of benefits by the time the child is nine. This removes incentives to continue education and health care and is counterproductive to providing children with the capacity to lead poverty-free adult lives.

An additional concern is the lack of development alternatives to provide students a variety of post-graduation options, as Oportunidades does. This could help increase the incentive to continue education and improve children’s chances of better employment, with the ultimate goal of breaking the poverty cycle (Nigenda 2005). Bolsa Escola beneficiaries also note that for
long-term development to proceed, basic services, lacking in many target areas, must be provided first (The Economist 2005). Juntos similarly has drawn some criticism that the transfers will have no effect without “quality education and structural changes that make it easier for people to set up micro-enterprises or small businesses” (Chauvin 2005). Of greater concern for the program is that there exist to date few concrete strategies to achieve any goals of long-term development (rural development, export initiatives, etc.) through the program (Jones 2006).

Another common problem within CCTs is the proportion of leakages and under-coverage resulting from the targeting mechanism and budgetary constraints (de Janvry 2005; Morris 2004). Oportunidades’ system effectively identifies the extremely poor households in a given area but the mechanisms were more ambiguous in how to distinguish between those just below and just above the poverty line (Skoufias 2001). To partially solve the problem with leakages, most programs, including Oportunidades, exclude the most remote regions where basic services do not exist (de Janvry 2005). Leakage concerns have arisen in Peru, perhaps in part because Juntos exerts the opposite condition for eligibility; households must not have access to at least two basic needs – running water, electricity, schools and health services (Chauvin 2005).

Finally, the conditions imposed by the Juntos program can contribute to a paternalistic view of the poor. According to the results of the exploratory study, conditions tend to infantilize mothers in Juntos by making them feel that they are under the authorities’ control. As a result, many beneficiaries exhibit a submissive attitude (Jones 2006).

Recommendations

a. *Increase eligibility and full benefits to families with children through age eighteen.* In this way, both older and younger children would be encouraged to attend school and visit
health centers, further helping to break the inter-generational cycle of poverty. Consider models that increase benefits for children in secondary schools.

b. *Increase the amount of the transfer to provide more for families with more children.*

While the program does want to encourage families to have more children by providing indefinite increases in transfers, it is logical to provide some increasing scale of transfers so that a family with five children receives more than a family with one child.

Oportunidades in Mexico provides a model for successfully balancing increasing transfers without encouraging families to have more children by capping benefits.

c. *Collect extensive and detailed data set about the population that reflects the current conditions in each region.* As demonstrated by Oportunidades and Nicaragua’s SPN, accurate and effective targeting requires an extensive and detailed data set (Nigenda 2005). To date in Peru, several systems have been developed and envisioned as part of Juntos with the intention of facilitating ease of communication between stakeholders, synthesizing data sets to and from other ministries and programs, but to date the ability to use those systems is negligible for a variety of reasons (Jones 2006). Specifically, target mechanisms must have the ability to accurately identify those who are most unlikely to comply with a condition without incentive and therefore will have the highest marginal response to a transfer (de Janvry 2005). Greater success is found when higher-risk households are targeted at greater levels, specifically with larger transfer amounts, as is done within Oportunidades. Ultimately this results in a uniform overall income distribution among recipients (de Janvry 2005).

d. *Empower beneficiaries and encourage them to participate in their own well-being.*

Breaking the intergenerational cycle of poverty requires that beneficiaries take an active
role in their development. Juntos can encourage this by providing inclusive forums for community feedback, such as community validation meetings. Juntos can also develop programs that seek to build human capital among its adult beneficiaries.

**B. Implementation**

1. **Targeting Concerns**

   Of great concern is the fact that Juntos has not specified a clear targeting mechanism. This resulted not only in leakages from being unable to distinguish between those just above and just below the qualification line, but also in under-coverage because of interviewers who are unaware of realities of life in the regions being covered (Jones 2006). Furthermore, without a clear and transparent mechanism for targeting, decisions over program eligibility are met with confusion and resentment at the community level. According to an interview with one researcher, individuals deemed ineligible for the program may not be aware of the rationale behind their disqualification, resulting in resentment for those who are selected as beneficiaries and increased community tensions. For many, this resentment subsides if the individual is made to understand why they were passed over, e.g., more assets, less children, etc.

   Another concern that arose during the pilot phase was a delay in benefits for a considerable number of families due to the fact that the mother lacked her national identity papers. Until December 2005, approximately 15,900 families were unable to receive benefits. This situation was subsequently rectified by the relevant central authority (Francke and Mendoza 2007).

**Recommendations**
a. **Make targeting mechanisms open and transparent.** Mechanisms for targeting should be shared at the time of launch and made clear during the community validation phase. In addition, community facilitators can begin counseling individuals not selected to participate in the program in order to prevent community tensions.

2. Distribution of Benefits

One issue of concern is in the provision of the transfer itself. In very isolated areas in Brazil, Bolsa Escola uses lottery agents to distribute transfers (Morris 2004). Although Juntos has distribution centers in towns without banks, there remains a problem of access for women who live in areas far removed from those towns, as it increases household costs because they have to travel to the city center from such remote areas (Nigenda 2005).

Furthermore, it is important to note that, while transfers typically are provided directly to women to ensure actions are in the best interest of the children and to empower the mothers in household decision-making, for Juntos, results have been mixed at best, with reported cases of men spending transfers on alcohol and coca, and concerns about increased levels of work for women (Nigenda 2005; Jones 2006, 2007).

**Recommendations**

a. **Determine the scope of the problem regarding remotely located beneficiaries.** If transportation costs to distribution centers are too cumbersome for a large number of beneficiaries, then Juntos should investigate alternative ways of providing the subsidy, such as lump sums for several months at a time. A potential solution is to have the representative verifying compliance provide the transfer for the following three months.
3. Community Facilitators

The success of community facilitators has been tepid. Facilitators are charged with providing information to beneficiaries and helping to verify compliance. However, because many are illiterate, they cannot successfully accomplish this and often resign (Jones 2006). There also exist few mechanisms for beneficiaries to file claims on the program, specifically with respect to exceptional circumstances for the extremely poor and/or extremely isolated (Jones 2006).

Recommendations

a. Develop a mechanism to review community facilitators. This could include a formal feedback mechanism for members of the community and periodic performance evaluations, and provide greater training and instruction with regard to the requirements of the job.

4. Service Quality and Capacity

In implementing a successful demand-side CCT, it is necessary to have adequate supply-side services in place in order to meet the increase demand from the conditions placed on households (de Janvry 2005). However, most CCT programs, including both Oportunidades and Bolsa Familia, have found themselves in a position in which they successfully increased demand for health and educational services, but consequently couldn’t provide the amount demanded with the current services in place (Nigenda 2005; de Janvry 2005).

For example, in Oportunidades, related to the condition on education, the transfer reached a maximum benefit on retention for students who lived three kilometers from a school, suggesting that for children who lived farther than three kilometers, greater supply-side intervention (more schools or higher transportation subsidies) would be needed (de Janvry 2005).
In Nicaragua, as a solution, private parties are contracted to meet the increased demand for health services through the nation’s CCT, the Social Protection Network, specifically in remote or isolated areas, but it too has struggled to meet an increase in demand for educational supplies (Nigenda 2005).

In Peru, a long-standing concern has been the educational quality and access, particularly in rural areas (Jones 2006). A portion of the program budget is devoted to strengthening the supply of services; nevertheless, there still have been records of excess demand, most likely exacerbated by the rush to implement the program (Jones 2006). The increase in demand, in turn, taxes the capabilities of already struggling service providers, ultimately decreasing what level of quality had been previously achieved (Niños del Milenio 2007).

For this reason, of great concern for the sustainability of Juntos is the existing quality of the nation’s public education system. Currently, Peru’s expenditure on education is well below what is expected for a country with its income level, and this lower budget is spread across an above-average number of school-age children (Wu 2001). This produces an obvious strain on the state to provide quality affordable education, especially to those in the most remote areas since it costs more to fund a quality school in rural areas (Morrison 2002). In 1993, in response to concerns over quality, the nation launched a diagnostic that found several problems: no textbooks in classrooms; inefficient use of limited hours in school; and poor teacher instruction and training were among the most common infringements. The report also found that no infrastructural improvements or additions were needed (Hunt 2001).

The project implemented to fix these problems devised a universal system of textbooks for school but failed to achieve solutions for much else. Teachers lacked training in the new curriculum, which was often too difficult to understand, and often schools did not receive the
new books. Students, at school for only half a day, still were often without teachers in the classroom during the day, either because they hadn’t come to work or because they were elsewhere in the school. When present, instructors still only taught by rote memorization and replication without explanation or evaluation. And teachers, who often were those students who were unable to gain admittance to any other tertiary school except teaching, still failed to receive the training necessary to improve their instructional skills. Furthermore, the plans had not yet adequately acknowledge the special conditions of rural education, namely multi-grade classrooms and bilingual students (Hunt 2001). These concerns are exacerbated by a lack of financial support for teachers, whose salaries currently make up only 60 percent of the already low education expenditures. (Comparatively, many nations spend 90 percent of their education budgets on salaries.) (Wu 2001). This makes it more difficult for the nation to attract quality instructors, especially to the most remote areas without any additional incentives or support.

In the end, these problems amount to a great obstacle for Juntos in helping beneficiaries escape extreme poverty, as children currently are arriving at poor quality schools in record numbers, eroding the level of education the school can realistically provide.

**Recommendations**

a. *First and foremost, swiftly and methodically address the issue of poor quality services that are attached to the program’s obligation.* Greater curriculum regulation should prevent misuse of the limited half-day students spend at school. Teachers should be held to higher standards from the outset, through higher admission standards at training schools, and more rigorous evaluation once in the classroom.

b. *Give teachers access to on-going training that addresses instructional methods.* These sessions should be required with some regularity.
c. *Expand curriculum and training to include multi-grade and bilingual instruction.* This would address the specific needs in rural educational centers, the focus of Juntos.

d. *Conduct follow-up research on whether there is now the need for infrastructural improvements or additions in both educational and health services.* This is particularly important given the increased demand for services that have accompanied the program.

e. *Directly address teacher absenteeism.* This should include monitoring not only of daily attendance but also regular and punctual classroom presence.

f. *Reevaluate budgetary allocation considering how current expenditure levels limit access and quality of education.*

5. Noncompliance

Some degree of noncompliance with program co-responsibilities is expected. In fact, if no noncompliance was reported, evaluators would question whether the monitoring mechanism was functioning. While noncompliance is inherent to any CCT program, high, non-random rates of noncompliance are problematic and may indicate design or implementation flaws.

According to Juntos personnel, 5,000 suspensions were recorded in February 2007, 10 percent of which resulted in dismissals. Unfortunately, due to the lack of data, we are unable to determine noncompliance over time. While February suspensions only amount to approximately 3 percent of total program participation, anecdotal evidence suggests that program requirements may be too rigid (Jones 2006). Once a commitment is broken, there is very little room for discretion and families are penalized regardless of the nature or severity of their noncompliance (Francke and Mendoza 2007). In one example, a family was penalized because a pregnant woman had no one to take care of her cattle - the family’s livelihood - and kept her young daughter out of school to look after them (Jones 2006). Unlike CCTs such as Oportunidades,
which assign subsidies to each condition, Juntos’ “all or nothing” approach to compliance may have the unintended consequence of inducing families at risk for noncompliance to abandon their commitments altogether. In addition, because there is a three-month lag between the breach of program requirements and sanctions, Juntos may end up punishing families who are currently in compliance (Francke and Mendoza 2007).

Additionally, because Juntos does not restrict eligibility to households with reasonable access to services, it may be over-burdensome for program beneficiaries to fulfill co-responsibilities. While anecdotal evidence from one researcher suggests that most rural inhabitants live in close proximity to one another due to a long history of political violence, an interview with Juntos personnel suggested that schools are likely within two hours walking distance. Though 100 soles may arguably compensate the family for the opportunity cost of sending their children to school, it may not be enough to cover the transportation costs borne by the family. More fundamentally, Juntos compensation could be too meager to create incentives for regular school attendance and clinic visits, particularly for families with multiple children.

**Recommendations**

a. **Collect and publish monthly noncompliance statistics.** At minimum, this includes the number of temporarily suspended and permanently disqualified beneficiaries, as well as the number of suspended and disqualified expressed as a proportion of total beneficiaries.

b. **Follow up with beneficiary families found to be in noncompliance to determine and track the causes of noncompliance.** Any evidence of a systematic lack of comprehension of co-responsibilities, program rigidity, over-burdensome private costs, and inadequate compensation should be carefully considered by program administrators. When appropriate, the program should be modified to correct these failures.
c. **Consider more regular monitoring of compliance.** To avoid punishing families currently in compliance, Juntos could implement an early warning system to detect possible breaches (Francke and Mendoza 2007).

6. Evaluation

As evidenced by Mexico’s Oportunidades and Brazil’s Bolsa Escola, evaluations are essential to the success of a CCT program. Evaluations help determine the efficacy of CCT programs. While CCTs have been an effective poverty reduction strategy in Mexico and Brazil, it does not necessarily follow that the same strategy will work in Peru. Mexico’s and Brazil’s models may need to be adapted to the Peruvian context and any Peru-specific components must be further evaluated. Evaluations also protect effective poverty reduction programs from being altered or dismantled to satisfy political whims.

Effective evaluations should be designed to yield intermediate results of time-sensitive strategic indicators to help improve project efficiency. Evaluations should be built into the framework of the program to ensure internalization of results (de Janvry 2005) and the costs should be seen as intrinsic to the program (Nigenda 2005). Experimentation is also crucial to the success of CCTs, particularly for assessing performance and knowledge gaps (de Janvry 2005).

Despite the importance of evaluation, Juntos did not include an evaluation component in its original framework (Jones 2006). As a result, no baseline with which to assess the effects of the program exists. Moreover, field interviews and related documents revealed discrepancies over whether indicators had been developed and Juntos was on track for evaluation. External parties have attempted to fill the evaluation gap. In 2005 and 2006, researchers at Niños del Milenio carried out exploratory research on Juntos funded by the UK’s Department of International Development. Though not statistically robust, this is the most comprehensive
publicly accessible evaluation of the program to date. (UNDP and a researcher at the Catholic University have conducted evaluations of Juntos, however, these documents are not publicly available.)

During field interviews, local experts described a general reticence on the part of the Peruvian government to fund, administer, and internalize evaluations. Though Peru has progressed beyond the days of President Alberto Fujimori, who famously suppressed the results of an unfavorable education evaluation, the government still regards evaluations as cost-prohibitive and is unlikely to devote substantial public resources. Evaluations are difficult to justify in this environment, as they are often regarded as a tradeoff between serving additional clients. One researcher cited his experience with a program that was only evaluated as a result of mounting pressure from international funders. Though government is receptive to externally funded evaluations, it has not proved a willingness to adapt social programs to evaluation results. In the example referenced above, the researcher was not aware of any modifications to the program based on the results of his evaluation.

Recommendations

a. **Design and implement a rigorous framework for evaluating Juntos.** Since the program was launched incrementally, administrators have the chance to establish a baseline and carry out robust evaluations in communities that have not yet benefited from Juntos. It may be possible to extrapolate these results to the rest of the country using econometric techniques. At the very least, it will enable solid evaluations in the future. Juntos administrators may also be able to salvage the results of the disregarded 2005 census to help develop a baseline for the program.
b. **Identify sources of funding for an evaluation.** While civil society and international organizations should continue to mount pressure on the Peruvian government to prioritize evaluations within its own program budget, it is clear that administering a time-sensitive evaluation will require immediate outside funding. UNDP is a good candidate for assistance, as it is peripherally involved in Juntos and has previously carried out an internal evaluation of the program. IADB, which as an institution has hailed Mexico’s Oportunidades for its rigorous evaluation, may also be appropriate.

7. **Dependency Concerns**

A concern with any social safety net is that it will foster a “culture of dependency” among beneficiaries. To date, the results of CCTs in Latin America have yet to prove that the programs prevent such a problem. In Oportunidades, there is no evidence of adults working less in response to the transfers, suggesting that it is not creating a culture of dependency within the program or reducing self-sufficiency (Nigenda 2005). In Brazil, however, many beneficiaries do stop working and live off the transfer, according to some recipients (*The Economist* 2005). Furthermore, Bolsa Escola has been linked to a reduction in weight gains of children that is likely attributed to an “incentive effect.” Mothers who had been involved in a previous program where participation was tied to children remaining needy may have believed something similar about Bolsa Escola: that their benefits would lapse if their children started to be healthy. (Morris 2004).

In Peru, much of the work previously done by children is being absorbed by women in Juntos households, increasing their workload (Jones 2006), suggesting results similar to Oportunidades. However, the transfers also have relieved pressure off of men to leave the household to find work outside the community (Jones 2006). Also, the nation may be seeing a
new “incentive effect,” in which people may be enticed to alter their lifestyles in some way to qualify for Juntos, as it is currently creating a sense of exclusion among both children and adults in communities where some receive benefits and others do not (Jones 2006). Children and adults who were not selected for the program have begun to put more onus on recipients, dividing communities with long histories of community tensions (Jones 2006).

By design, long-term dependency is not an issue for Juntos. Unlike in Mexico where families can remain eligible indefinitely, Juntos beneficiaries are only eligible to receive 4 years of full benefits, followed by 4 more years of partial benefits. However, it remains to be seen whether the Juntos can successfully lift families out of poverty, thereby reducing their dependency on all forms of government assistance. Should Juntos extend eligibility through secondary school age, they would still circumvent these dependency concerns because there would be an age limit to eligibility.

**Recommendations**

a. **Monitor communities for developing “incentive effect.”** To ensure that Juntos does not create such unintended negative consequences of increasing poverty among borderline non-beneficiaries, there should be some attempt to monitor consumption and other trends, at least on a national level.

8. **Political Interference**

At the heart of the success of the older CCTs in Latin America is their ability to survive domestic political turnover. In Latin America, existing social welfare programs are often abandoned under new presidential administrations, each president striving to leave a legacy through new programs. However, in both Brazil and Mexico, CCTs have survived presidential turnover and, more notably, have expanded under later presidencies (The Economist 2005).
Juntos, created under the Toledo administration, may not be as successful as its models at withstanding changing political climates. Because Peru does not have very strong institutions, every program needs a constant champion. If the champion leaves or loses power, a program’s chances of survival are greatly diminished. Because former President Toledo was Juntos’ first champion, its future is uncertain. Fortunately, current President Alan Garcia has expressed interest in expanding and strengthening the program (Francke and Mendoza 2007).

At the moment, one of the program’s greatest claimed accomplishments is that it remains unpolitcized because of the way it was established within the government: a quasi-independent organization reporting directly to the Presidential Council of Ministers rather than an individual ministry (Jones 2006). However, despite assurances from administrators from the beginning that “Juntos is a program of the Peruvian state and not the Toledo administration,” it is not completely free from political manipulation (Chauvin 2005; Chauvin 2007). With the new Garcia administration establishing its footings following the election in July 2006, party leaders seek to employ more of the party faithful, a move that could endanger the jobs of technical staff and sacrifice the political neutrality of the program (Chauvin 2007). This is of particular concern as the program continues to grow and expand into regions that are traditionally less-marginalized and of more interest politically (Francke and Mendoza 2007). Because Peru lacks the institutions and political will to raise-up nonpartisan career public servants as leaders, this kind of blatant cronyism is likely to persist.

Concern also exists about President Garcia’s move to combine many separate social programs into one larger program. While duplicated tasks like record keeping could be streamlined among many social service programs, saving time and money, combining Juntos with other programs may add an unnecessary layer of bureaucracy and partisan control,
encumbering program administration and obscuring Juntos’ unique goals. Combining Juntos with other programs may also mean it no longer maintains special status under the Presidential Council of Ministers, but is relegated to a ministry like the low-prestige Ministry of Women and Development.

**Recommendations.**

a. *Strive to avoid politicization.* Juntos is facing a critical period of time in defining its place in the new administration and avoiding politicization is essential to achieving high levels of effectiveness.

b. *Aim to have trained public servants administer Juntos under a strong institution that strengthens and supports program goals.* Until Peru is able to strengthen its institutions, Juntos may be better off operating outside of one specific ministry.

c. *Proceed with caution when merging social programs.* If the Garcia administration chooses to merge several social programs into one, the process should not be rushed, with careful consideration given to balancing the strengths and weaknesses of each program, increasing efficiency and effectiveness overall.

**9. Sustainability**

There exists for all social welfare programs a limit as to how far they can operate as a substitute for long-term development strategies for poverty alleviation (Jayne 1997). Therefore, it is important to recognize those limitations in implementing CCTs as well as the need for “complementary interventions,” specifically long-term improvements to supply-side constraints to ensure long-term development and sustainability (de Janvry 2005). Considerations therefore must be given to both internal (funding) and external (service provision) program specifications.
It has been suggested that in order to cover all those living in extreme poverty, Juntos would need to serve nearly a million families – five times the current number of beneficiaries. To do this, Juntos would need a budget of US$360 million a year, approximately 39 percent of the state expenditures on social programs – 20 percent more than its current allocation (Francke and Mendoza 2007).

**Recommendations**

a. **Determine the proportion of outside funding needed to ensure survival of the program under its current rate of expansion.** Although the UNDP and IADB are both supporters of Juntos, the best funding scenario to guarantee long-term sustainability of a program is one that is not highly dependent on outside donor resources (Nigenda 2005). Nonetheless, Oportunidades, now in its tenth year, secured substantial support from IDB – the largest single loan issued at that time – to finance its continued expansion.
VII. Summary and Conclusions

Juntos has the potential to be a highly effective social program. With over half of Peru’s population qualifying as poor and about 20 percent qualifying as extremely poor, Peru is in need of a new poverty reduction strategy. Thus far, CCTs have received international accolades for improving outcomes for women and children in Mexico, Brazil, and beyond, and Peru may well find it a successful tool for poverty reduction.

However, Peru’s Juntos cannot simply ride the success of Oportunidades and Bolsa Escola. Without solid front or back-loaded mechanisms in place for efficient implementation, targeting and evaluation, Peru may never understand the extent to which the program has succeeded – or failed – in reducing the intergenerational cycle of poverty. CCTs are among the most politically feasible poverty reduction programs and so far, Peru has found it easy to develop a constituency around the program. However, in the absence of credible evidence of success, Juntos may one day find itself out of favor and subject to budget cuts and lack of political support.

Our analysis has called into question several elements of Juntos’ basic design and implementation. Chief among these issues is that the program falls short of providing adequate incentives for families to make serious investments in their children beyond primary education. The program also suffers implementation flaws, most importantly that the rise in demand of services, particularly education, is not met with increasing quality and capacity. Finally, the extent to which all of these factors contribute to positive outcomes for women and children cannot be determined due to the lack of a framework for evaluation.

With the current political transition in Peru, the future of Juntos is in jeopardy. Now that Juntos’ pilot phase has passed, it is our hope that program administrators will give
serious thought to the experiences of the program and develop mechanisms for improving the program design and implementation to make it more effective and sustainable for years to come.
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Lucien Chauvin, special correspondent
The Economist
Las Mimosas 293, Lima 4, Peru

Santiago Cueto, executive director, and Manuel Glave Testino, senior researcher
GRADE (Grupo de Análisis para el Desarrollo)
Av. Del Ejército 1870, Lima 27, Peru

Jose Rodriguez Gonzalez, professor, Department of Economics
Pontificia Universidad Católica del Perú
Av. Universitaria cdra. 18, Lima 32, Peru

Karen Suarez, United Nations volunteer
UNIFEM
Av. Benavides 786, Miraflores, Lima, Peru

Pablo Tarazona Vivar, general counsel
Juntos
Cerro Prieto 417-421, Lima 33, Peru

Eliana Villar Márquez, researcher
Niños del Milenio/Save the Children UK
Leon de la Fuente 110, Magdalena, Lima, Peru

Verónica Zavala Lombardi, minister
Ministry of Transportation and Communication
Jirón Zorritos 1203, Lima 1, Perú