

## Peru COVID-19 Data-Driven Decision-making Case: COOPAC MF Prisma

### **Country Context**

Peru is among the countries hardest hit by COVID-19. As of September, it has the highest death rate per capita in the world and the 7<sup>th</sup> highest cumulative infection rate per capita. These impacts have been in spite of—and because of—the strict, early and long lockdown. Peru's government response has been rated 96.3/100 on Oxford's Stringency Index making it one of the strictest in the world. Although some easing took place at the end of May, the national lockdown was in effect from March 16 through June 30<sup>th</sup>. It was replaced in July with regionally focused lockdowns of hot spots and national Sunday quarantines and nightly 10pm curfew. Some local authorities have imposed even stricter measures than the central government, effectively sealing off communities from outsiders. And yet, the virus continues to spread. In May 80% of the vendors in two of Lima's largest food markets tested positive. Given the limitations of the health system, it is likely that infection rates are much higher than reported in rural communities.

Peru is a challenging context in which to fight a pandemic. Over 70% of employment is informal. Much of the territory is remote and difficult terrain (mountains, jungle, desert) meaning that central government presence minimal in many areas. Many areas still lack paved or maintained roads, water and sewer. The mountainous and remote terrain also means that cellular coverage is spotty or nonexistent in many areas. Access to cash in some of the more remote areas is a challenge even under normal conditions with the national bank often being the only access point.

### **Economic Impact and Government Response**

Knowing that a large percentage of its population would not have access to employment-based safety nets such as paid sick leave, paid time off, severance pay or unemployment benefits, the government acted swiftly and immediately accompanied its lockdown order with approval of an economic stimulus package including a one-time subsidy of 40% of the monthly minimum wage to all families previously identified as vulnerable and receiving social services. It followed this by a subsidy targeting independent workers and another targeting rural families not benefiting from other subsidies. Although these payments theoretically should have covered the vast majority of Peruvians who needed them, in practice many families who need them have not been able to qualify or access them if they do qualify. They were also one-time payments, not on-going income replacement. As a result, these measures have been unable to stop major economic devastation. According to an [ILO report](#), in a recent telephone study 31% of the economically active population had definitively lost their jobs. Only 8% of workers overall reporting receiving income as usual (only 3% of informal sector workers) and as much as 44% of households had stopped receiving income entirely. GDP is expected to decline 4.5% in 2020, down from a pre-pandemic 3% growth rate. In some rural areas, the economic effects have been exacerbated by local communities' efforts to protect themselves from the virus. Roadblocks and mobility restrictions imposed by government and local authorities have cut rural communities off from health care, financial services, and food even though these are permitted under official lockdown.

### **The Financial System and MSMEs**

Given the high degree of informality, the government has made an effort to work with the financial system to ensure that MSMEs continue to have access to capital and that the financial service providers that serve them do not collapse. Formal financial service providers were permitted to operate as an essential service during the lockdown. Borrowers and their financial institutions were granted flexibility to allow a 3-6 month repayment holiday without categorizing them as nonperforming and affecting their credit and risk ratings. Institutions were permitted to reschedule loans that were in good standing prior

to the lockdown, extending the term by up to 12 months without having to classify these loans as higher risk assets. The banking regulator loosened requirements for savings and e-money accounts with formal financial institutions other than cooperatives to facilitate subsidy payments. Initially, the subsidies were only available by going to the national bank in person causing huge lines and substantial COVID-19 risk to families trying to access their funds. Later rounds were distributed through additional channels, including direct deposit into accounts but accessing the money still requires standing in line at a bank for most people.

The government also created a guarantee fund to back the rescheduled loans freeing up capital for financial service providers to re-invest in loans to MSMEs. However, it is important to note that the NGOs who serve some of the poorest population are excluded from these programs and the COOPACs that serve many rural areas have only been partially included.

### **COOPAC MF Prisma Institutional Context**

COOPAC MF Prisma (COOPAC MFP) is a cooperative with 9304 active members. It operates through 7 branches located in Pucallpa, Campoverde, Juanjuí, Tarapoto, Tocache, San Francisco and Pichari. They are all located in the Central (mountainous) and Eastern (jungle) regions of Peru far from the coastal plain where Lima and over half the country's population are concentrated. With the exception of Pucallpa which is the 11<sup>th</sup> largest city in the country, the other locations are smaller towns and cities, generally serving as commercial and administrative centers for the surrounding agricultural areas. As a result, a very high percentage of COOPAC MFP's membership base is engaged in agriculture as a primary or supplemental activity.

COOPACs in Peru are regulated, but have only recently become regulated by the same authority as other banking authorities. As a result, COOPACs have more limitations on the types of products and services they can offer as compared to other regulated financial institutions.

Products include:

- Savings accounts
- Fixed-term savings
- Individual loans
- Village bank group loans
- Life and credit-life insurance

As of the end of August:

- 7.3 million soles (2.1 million USD) in savings
- 7986 active loans
- 14.5 million soles (4.2 million USD) in portfolio
- 2.73% PAR >30
- 50% of outstanding loans were rescheduled/restructured during the lockdown
- Roughly have entered into repayment in August and September and the other half will begin repayment in October or November.



### **Institutional Situation at the Time of Data Collection**

The data collection began in late June and was completed in late July covering the period that the lockdown was end and reopening beginning. During June and July—2.5-3.5 months after the lockdown began, COOPAC MFP experienced heavy withdrawals with more than 1 million soles withdrawn during this period—4 times the normal level of withdrawals. These were primarily term deposits, which COOPAC MFP allowed clients to withdraw before the end of the term for a lower interest rate.

Throughout the lockdown, they continued to collect payments from those who were able to pay but did not pressure those who could not. They were unable to reach some of the communities because of blockades, and their clients, likewise, were unable to reach their branches or the branches of the national bank to make their payments. They have launched digital payment options where possible but connectivity is not possible in about 1/3 of the areas served. They have restructured about 50% of their portfolio and loans. They have been targeting their lending to clients with good repayment records with businesses that are able to operate under current conditions and have developed a list of business types for each area based on local opportunities and restrictions. They are also lending to new clients whose business were unaffected or have opportunity to grow under current conditions. Disbursements are currently at about 60% of pre-COVID-19 levels.

COOPAC MFP conducted interviews with clients from all 7 branches using the SPTF client interview tool. They want to better understand the situation of their clients in order to evolve their services and products to better serve them during this difficult time. Please review the survey data below, and consider these questions:

- *If you were leading COOPAC MFP, what would be the responses that you would consider to better address client needs and opportunities? You may capture your thoughts in the chart below:*

Challenge or Opportunity	Segment(s)	Data supporting challenge or opportunity	Institutional Response

- *What additional questions would you want to answer?*

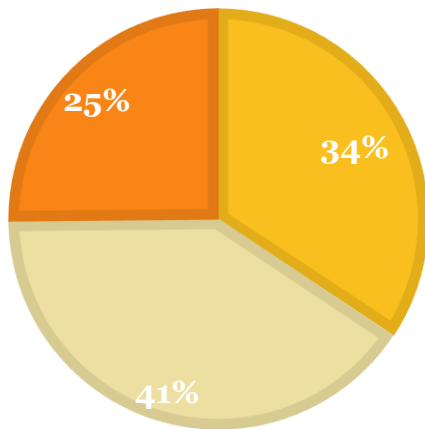
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## Basic Survey Demographics

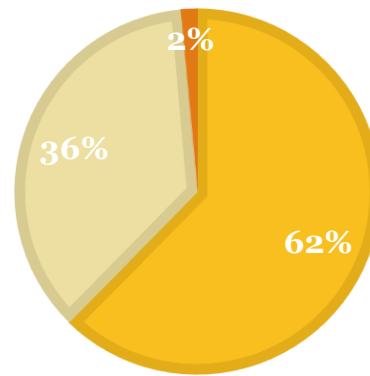
### PLACE OF RESIDENCE

■ City ■ Town ■ Countryside



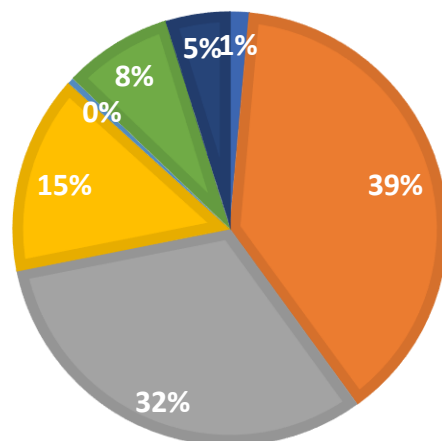
### % SURVEYED CLIENTS BY GENDER

■ Women ■ Men ■ No response

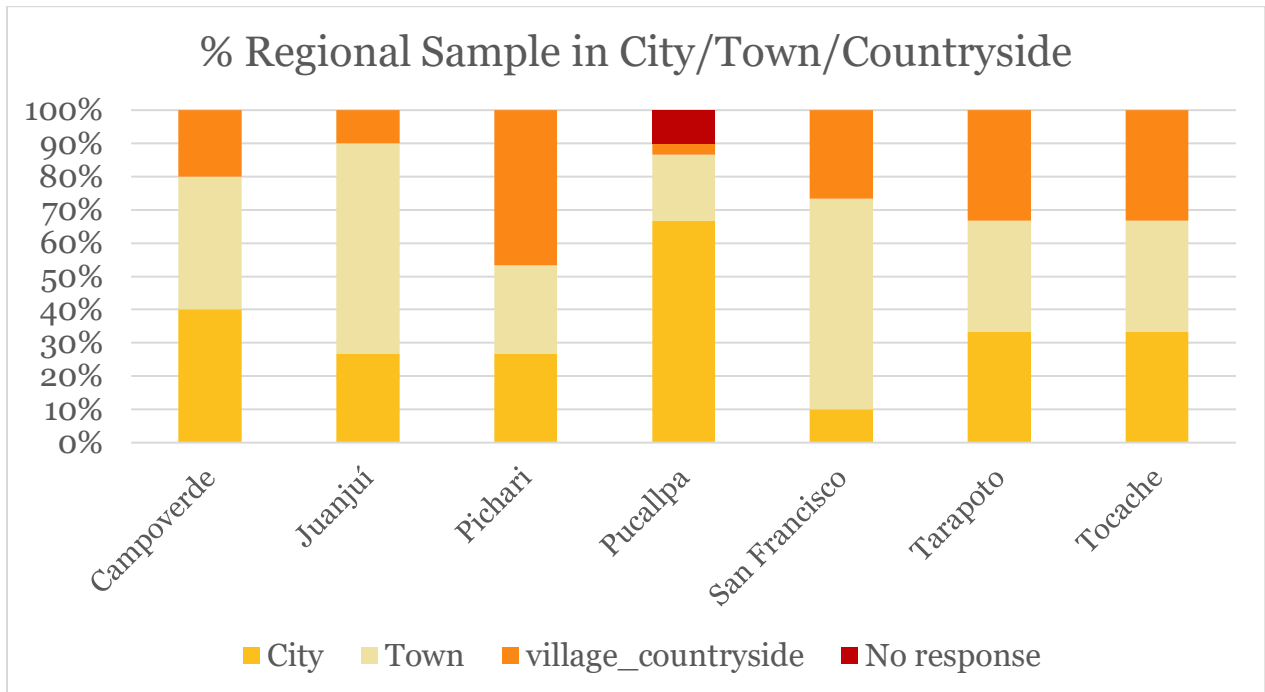


### % SURVEYED CLIENTS BY PRIMARY INCOME SOURCE

■ No response ■ Business owner ■ Farming  
■ Other ■ Pensioner ■ Private Sector  
■ Public Sector

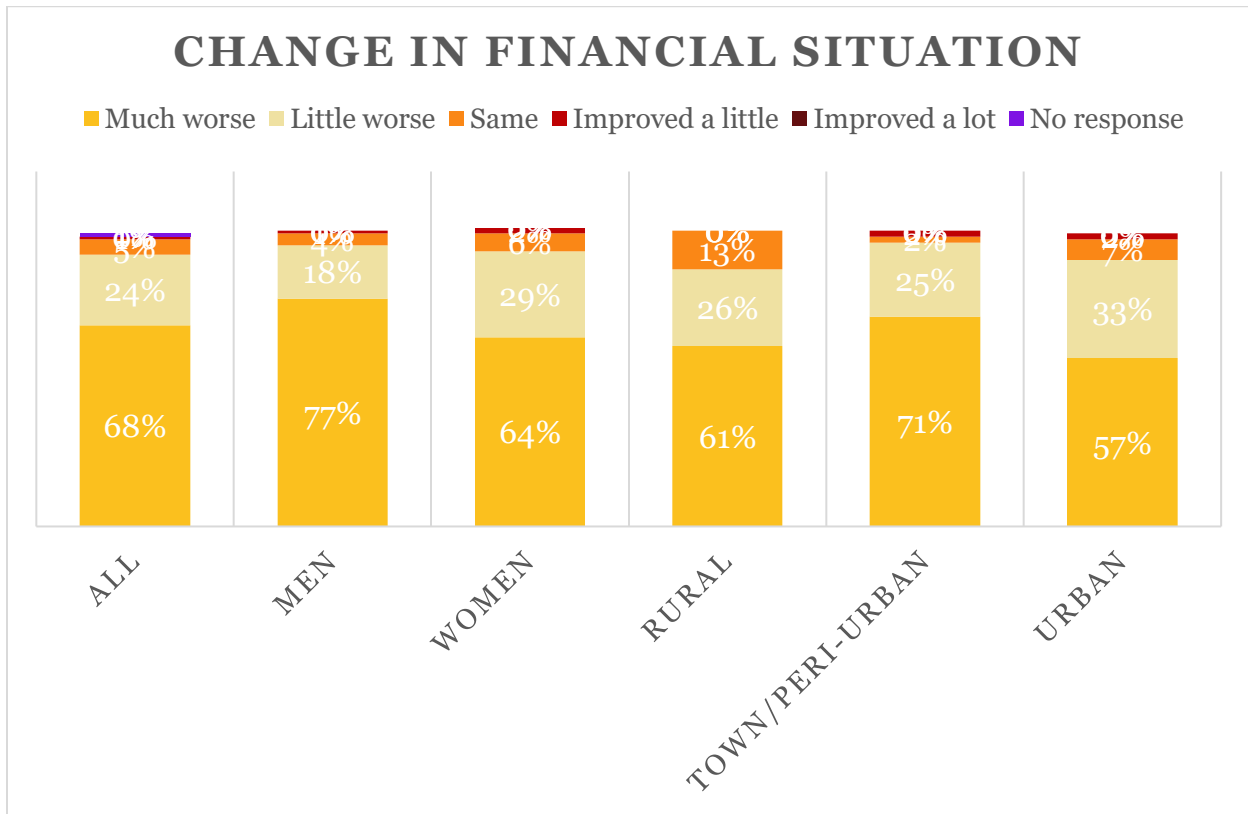


## Regional Breakdown by Place of Residence

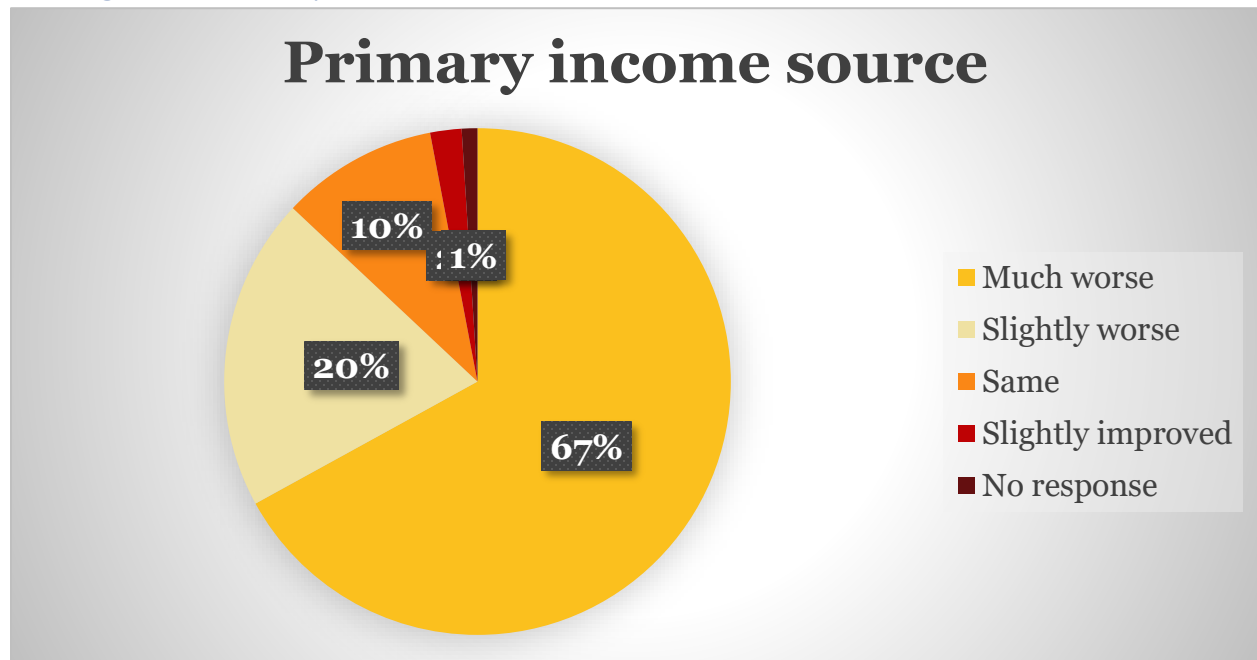


Pucallpa is the only large truly urban area. Tarapoto is medium-sized city. The others are mainly small towns that serve as district or provincial capitals—important in their regions but not large and still very connected to their rural surroundings.

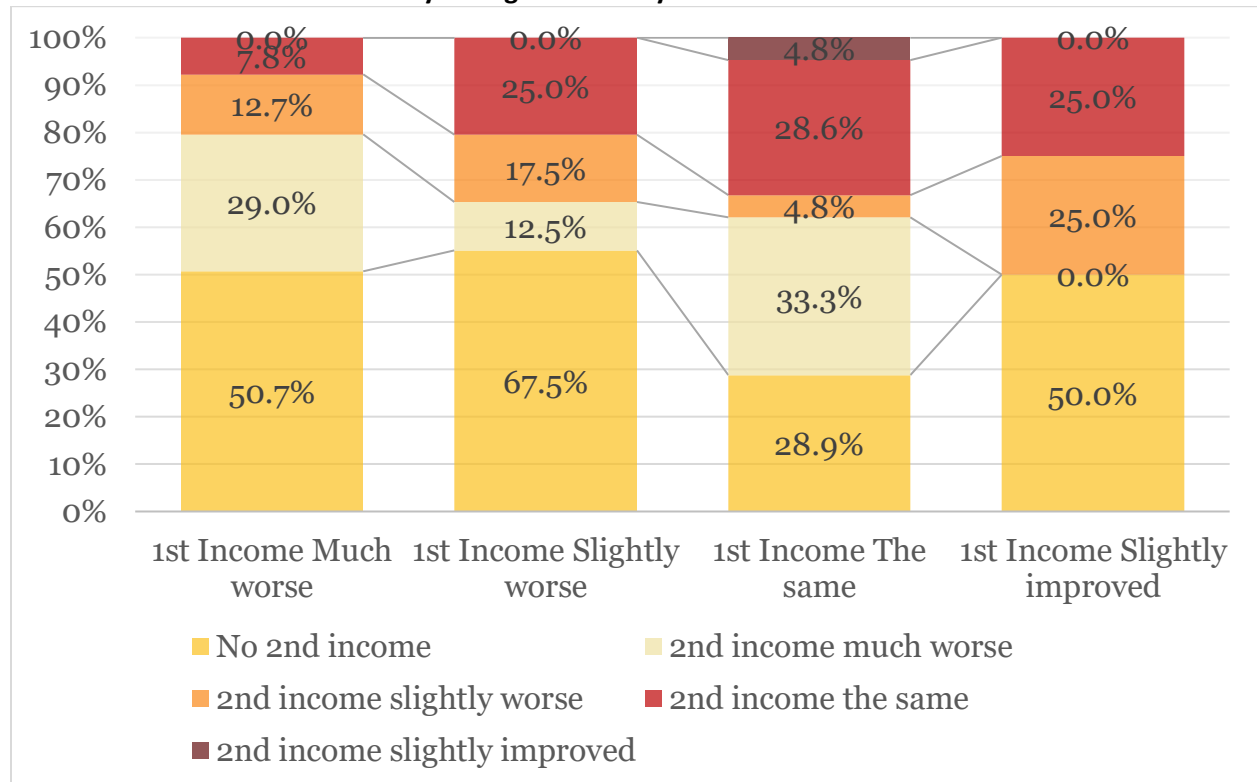
## How Has Your Financial Situation Changed?



## Change to Primary Income Source

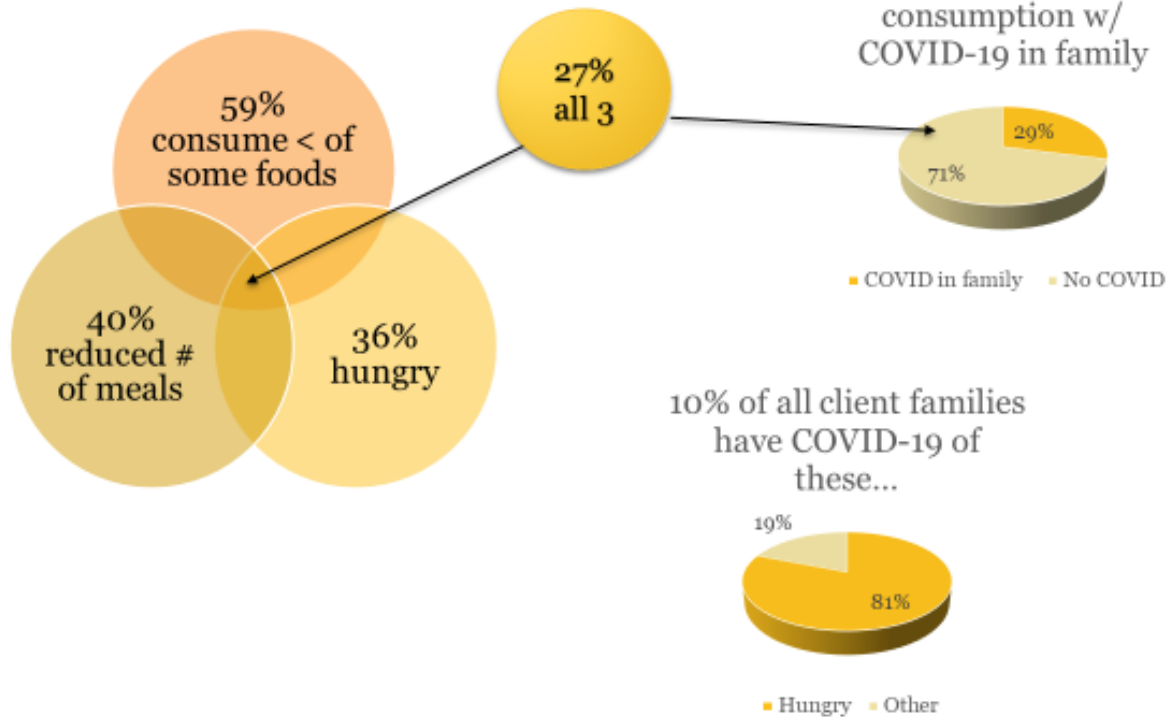


Status of Second Income Source by Change to Primary Income Source



Over 50% of those who said their primary income source is much worse have no secondary income.

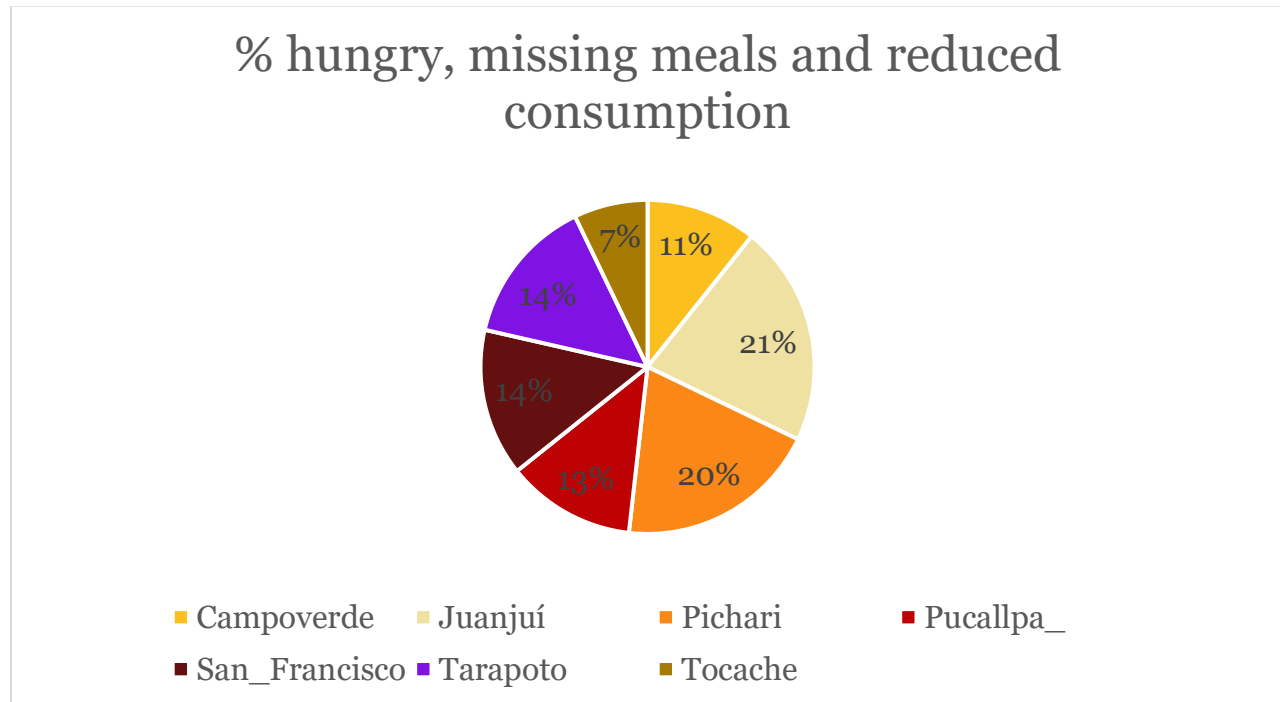
## Food security during crisis



Food security and access has been highly impacted by the crisis. 27% of clients reported reducing meals, consuming less of some foods like meat and experiencing hunger. Of those that are experiencing all 3 dimensions of food insecurity, 29% have one or more family members with COVID-19. Overall, 10% of clients reported that someone in their family had COVID-19. This was information volunteered by the clients, not a direct question, so true incidence might be higher. Of that 10%, 81% were experiencing hunger, suggesting medical expenses and the isolation of being sick might be play a role in driving hunger and food insecurity.

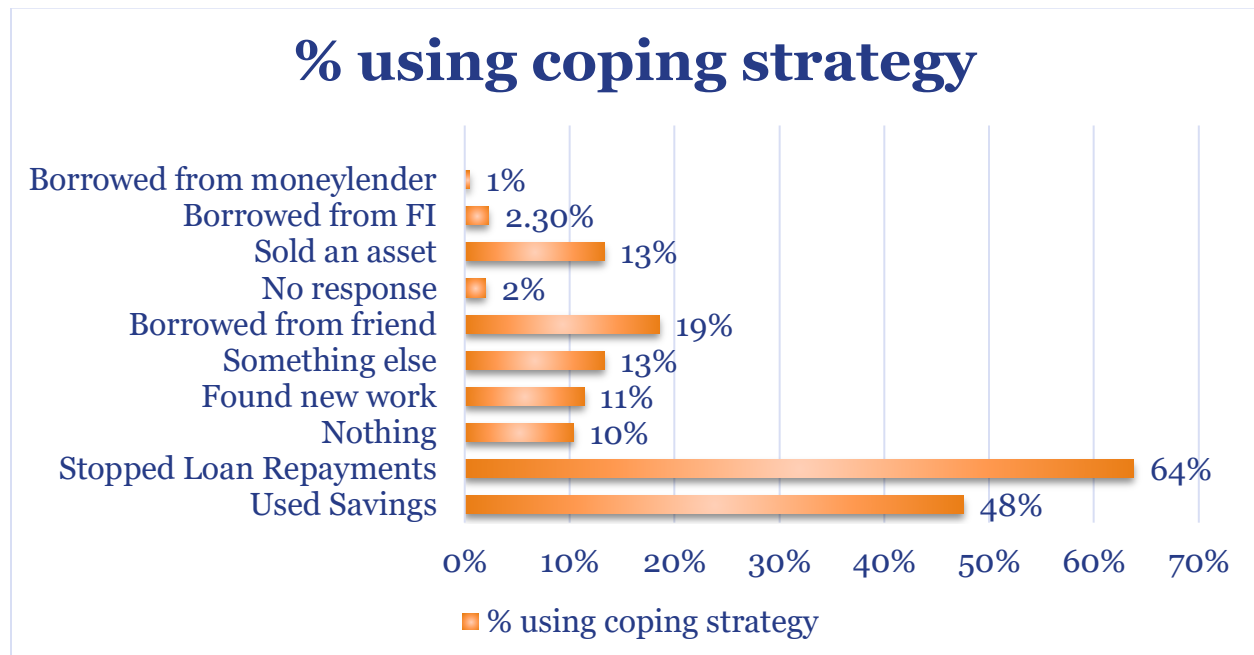


Distribution of extremely food insecure and hungry across regions



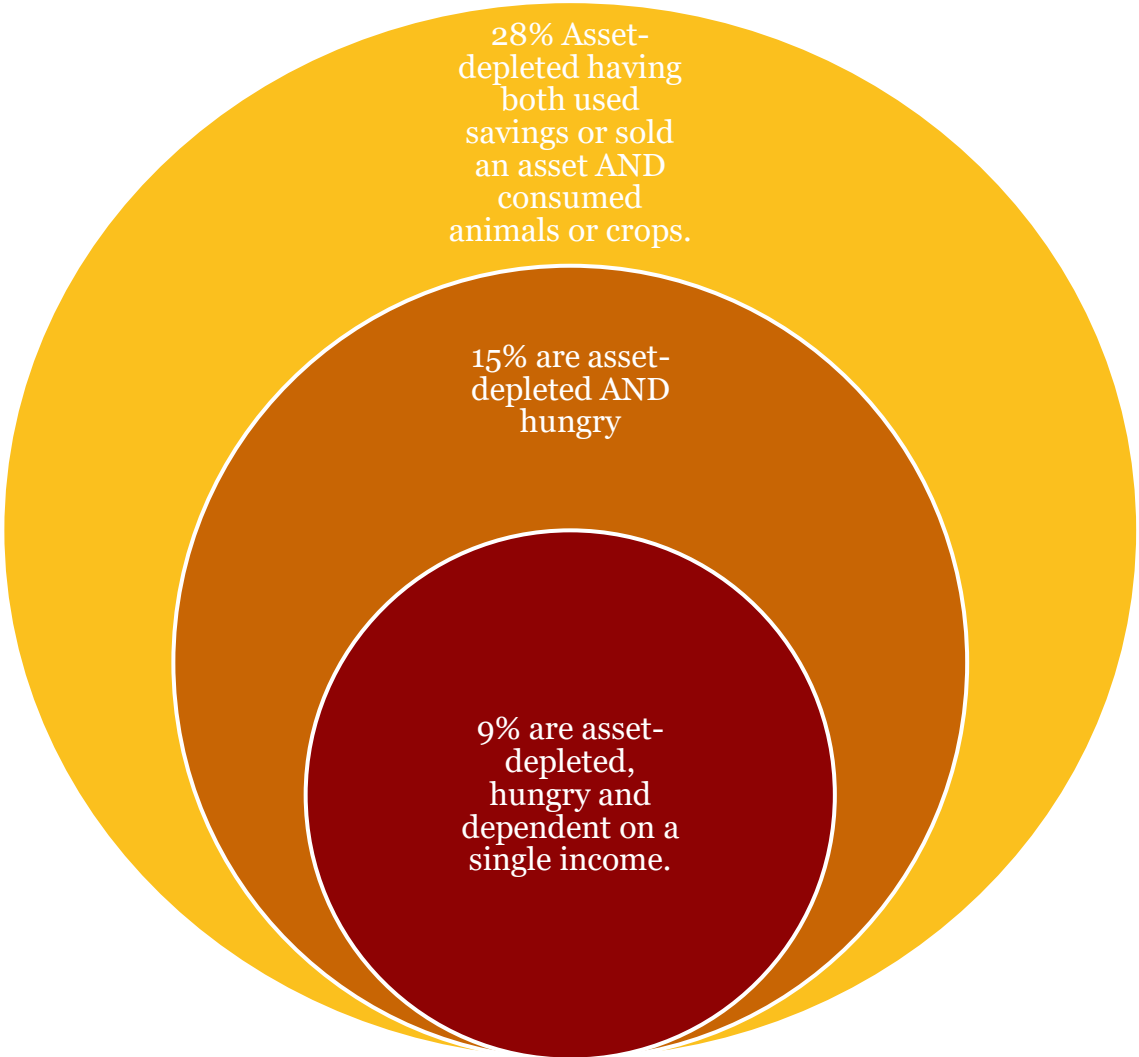
Sample size was equal for all regions. The most affected are concentrated in Juanjuí and Pichari.

How are clients coping with this situation?

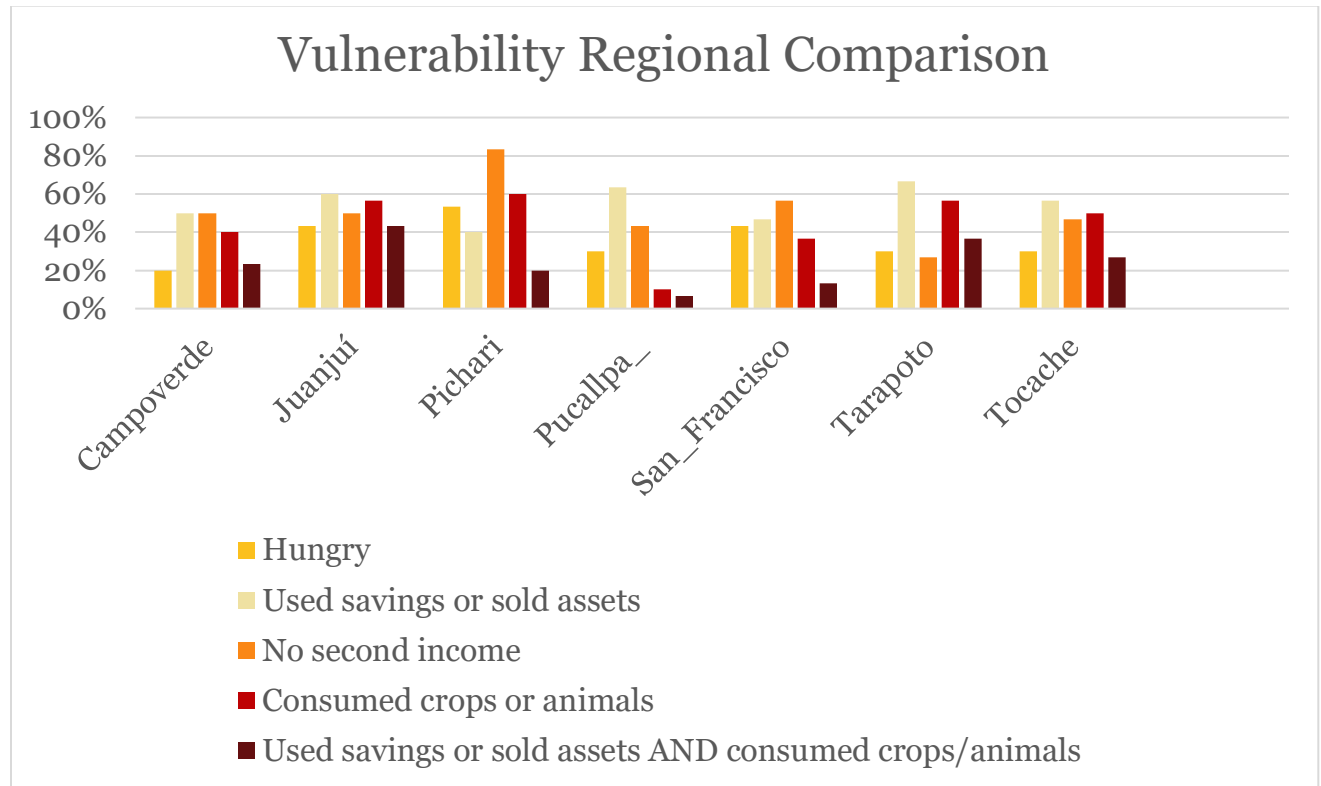


- 61% used 2+ strategies
- 21% used 3+ strategies
- 37% used savings and stopped repayments
- 20% increased indebtedness, of these 83% also stopped repayments
- 53% of “something else” went to live at/eat from their fields (7% of total)

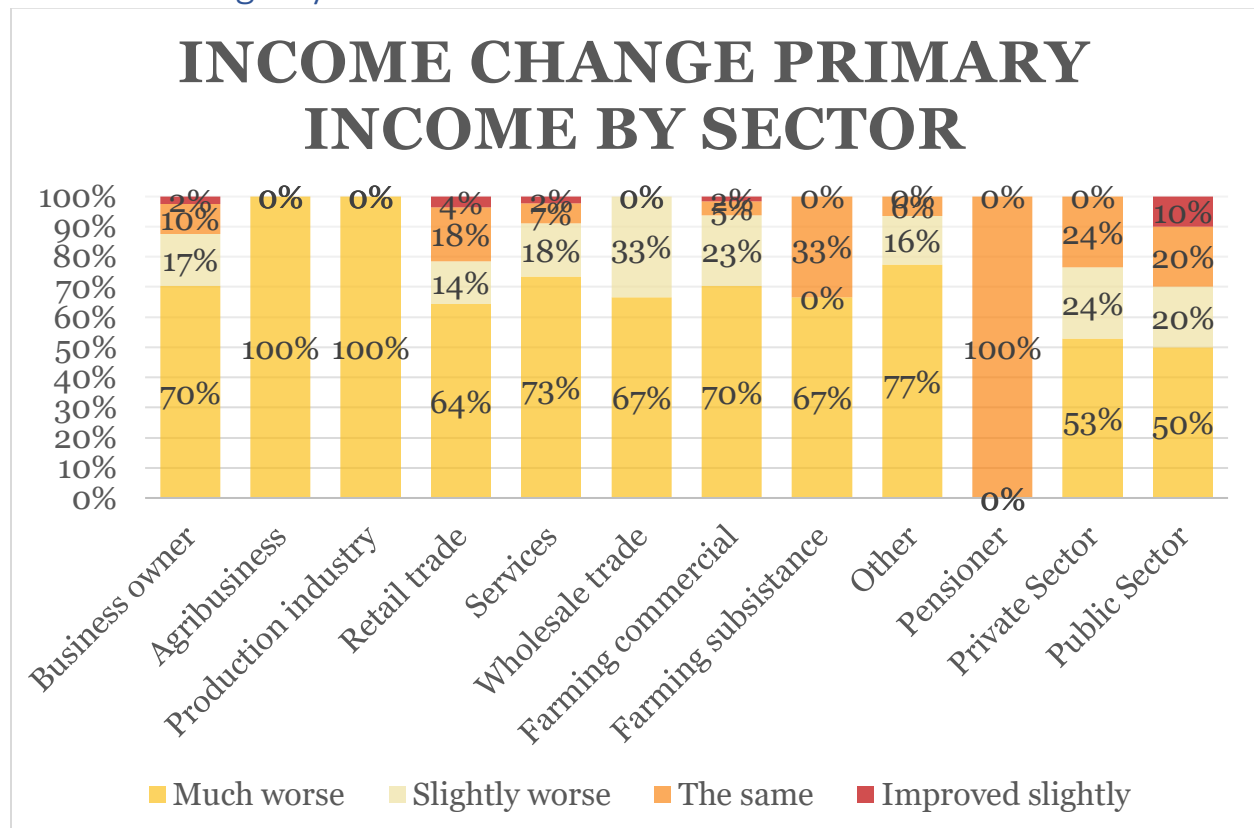
Client Vulnerability



## Client Vulnerability by Region



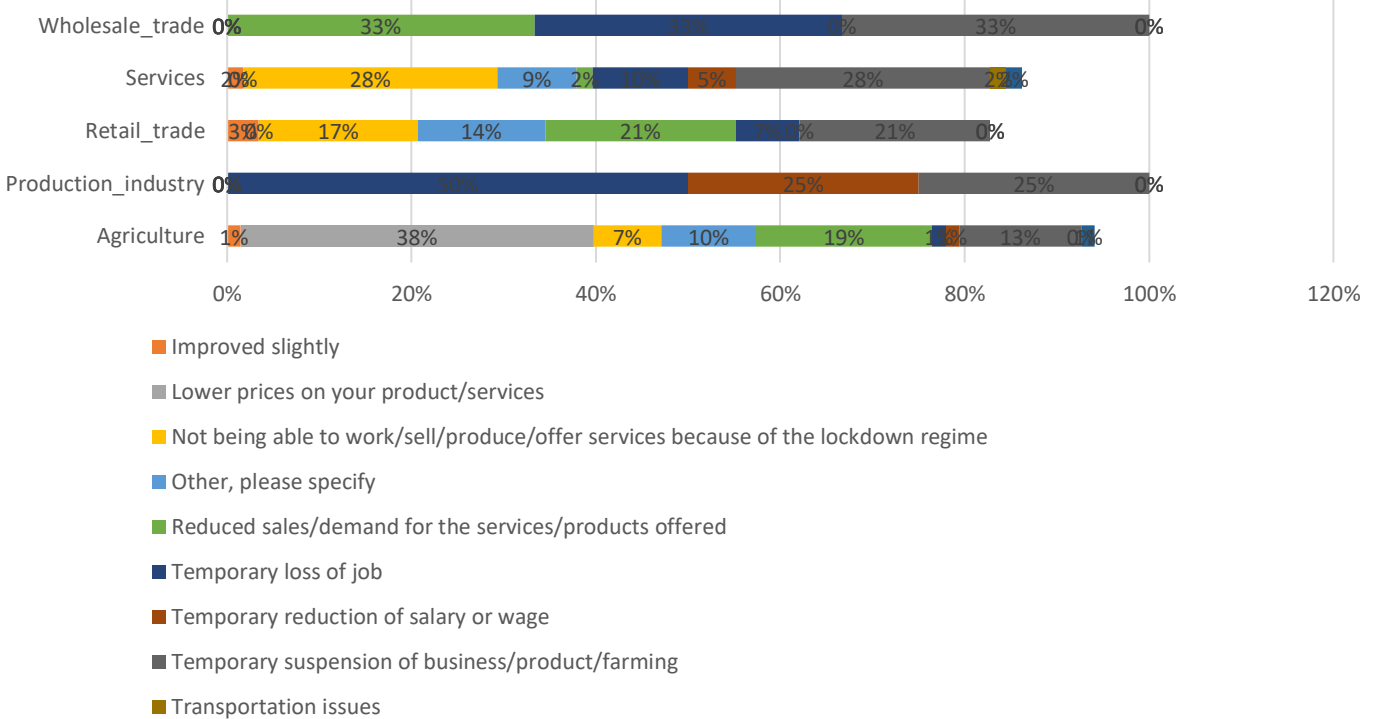
## Income Change by Sector



## Subsector income change

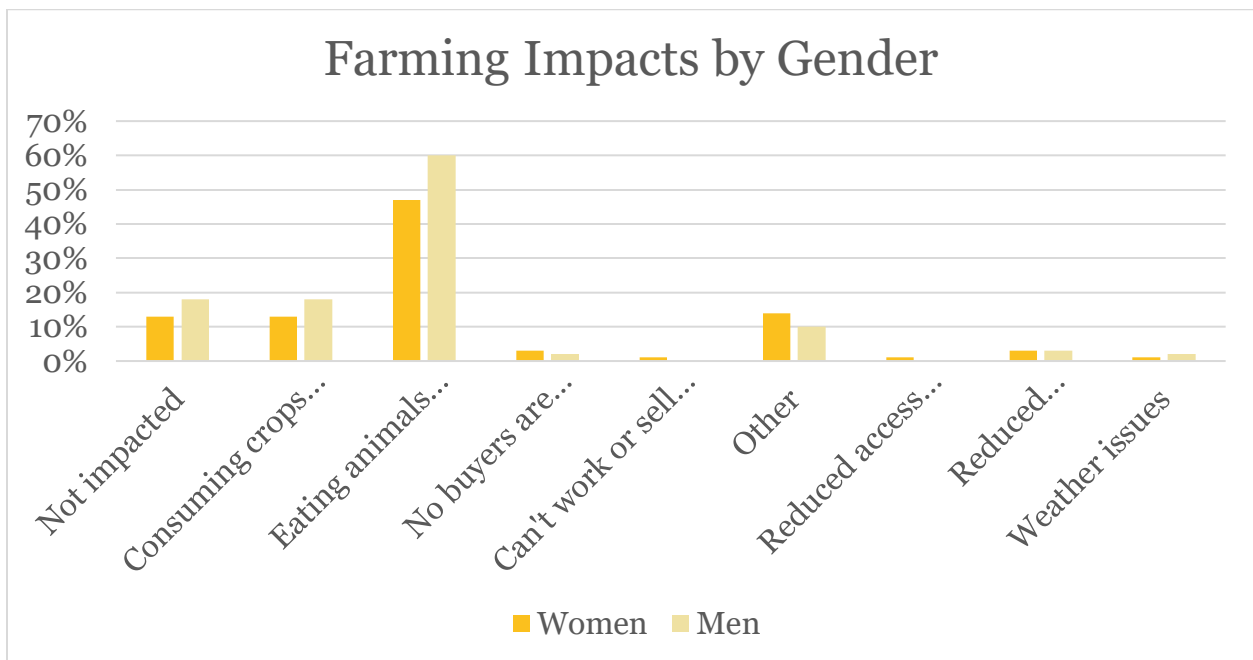
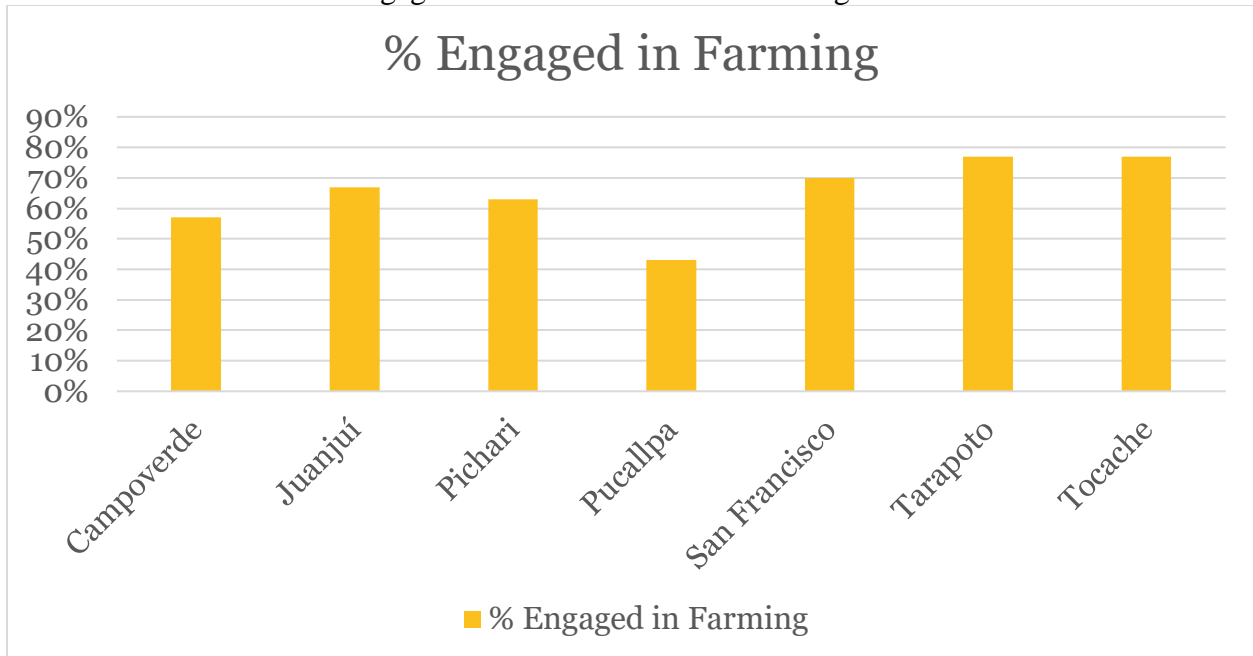


## Income change reasons by sector

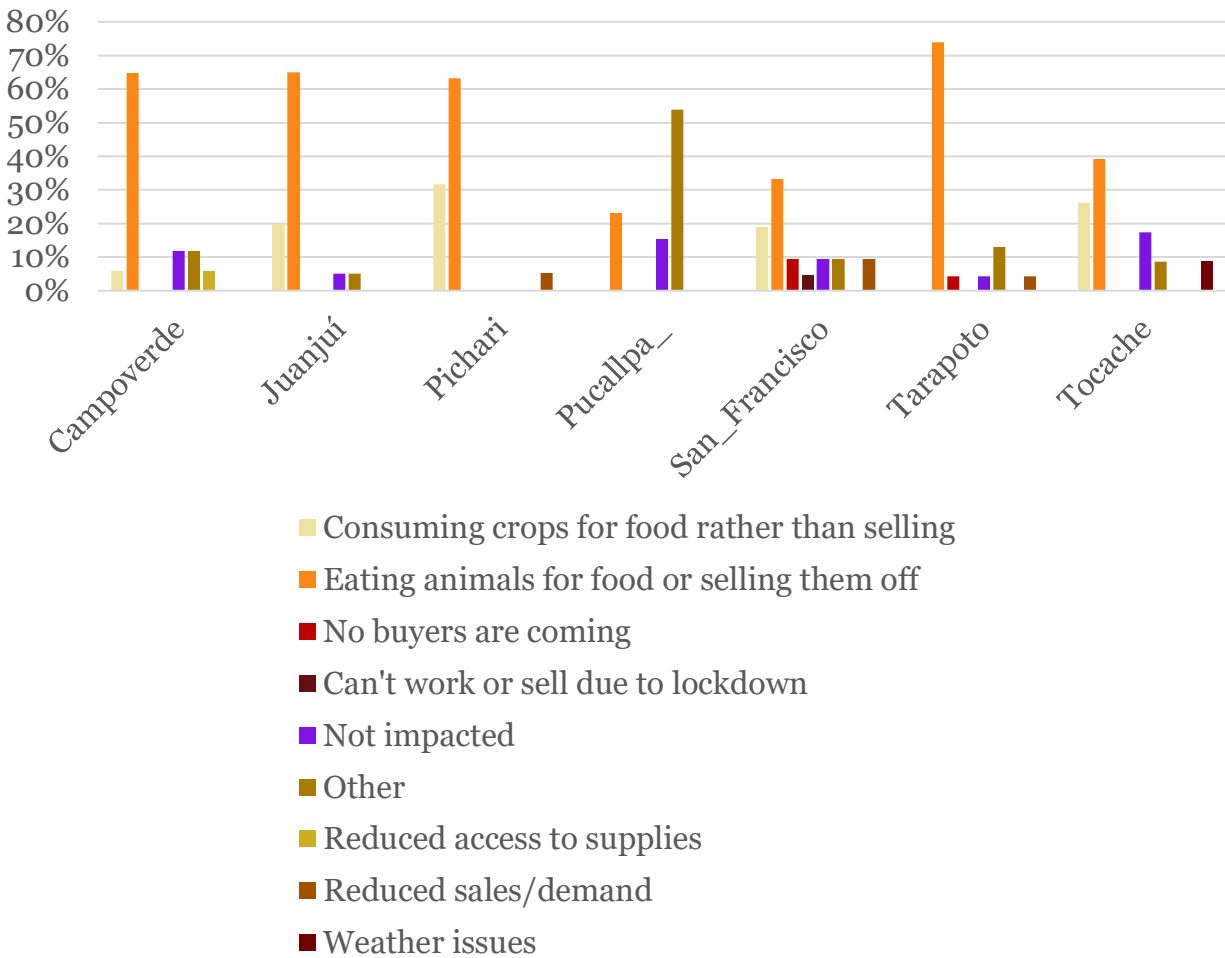


## Farming

Overall 65% of clients are engaged in at least subsistence farming

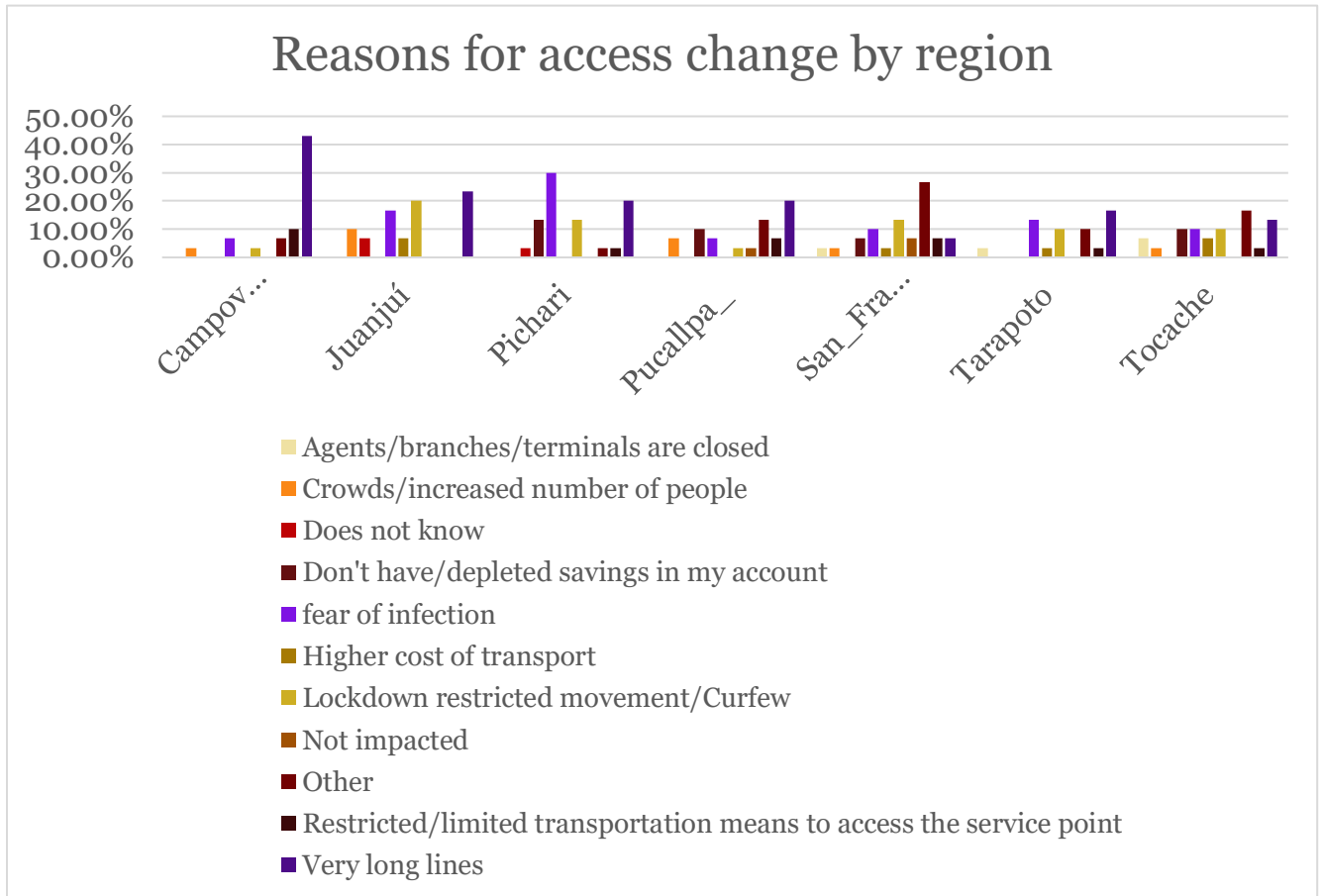


## Farming Impacts by Region

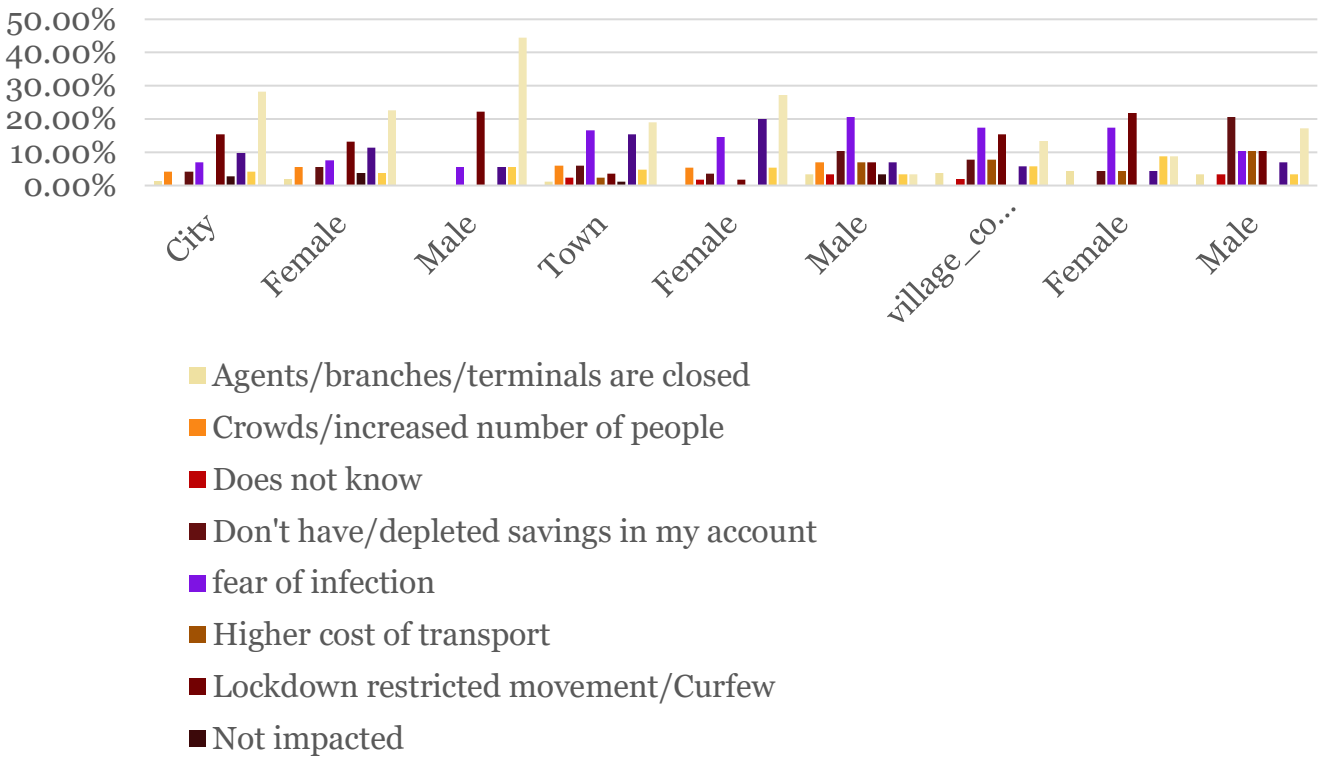


## Access to cash

74% of clients said accessing cash was harder or much harder



## Reasons for access change by residence and gender



## Client Support Requested from Institution

