

# APOYO MONETARIO INSUFICIENTE Y RESULTADOS EN SALUD: EL CASO PERUANO<sup>1</sup> FINANCIAL SUPPORT FAILURE AND HEALTH RESULTS: THE PERUVIAN CASE

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## RESUMEN

El documento arrojó luz al analizar la eficiencia del apoyo financiero del gobierno peruano en comparación con algunos países de la región de América Latina y del mundo. La Pandemia del Covid 19 obligó a los gobiernos a aplicar el “Golpe de Martillo” que afectó negativamente a la economía produciendo recesión y desempleo. Los gobiernos compensan este último efecto aplicando políticas de subsidio a los pobres y luego reducen las consecuencias económicas negativas del confinamiento general sin contraer el COVID. Nuestro estudio realiza un Modelo de Diferencias y Diferencias (DID) para evaluar la efectividad de esta última política.

**Palabras clave:** DID, Evaluación de Bonos

## ABSTRACT

The paper shed the light in analyzing the efficiency of Peruvian Government Financial Support in comparison with some countries in the Latin American Region and worldwide. The Covid 19 Pandemic enforced governments to apply the “Hammer Blow” which affected negatively the economy producing recession and unemployment. Governments offset the latter effect by applying subsidy policies to the Poor and then reduce the negative economic consequences of the general lockdown without getting COVID. Our study performs a Difference and Difference Model (DID) to evaluate the effectiveness of the latter policy.

**Key words:** DID, Subsidy Assesment

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## 1. INTRODUCTION

Many governments worldwide have made the decision to assume the opportunity cost of compulsory social isolation of the poor. In particular, the Peruvian president Martin Vizcarra declared a State of National Health Emergency due to the Covid-19 pandemic. The objective of this rule was to ensure that the majority of the vulnerable population remains in their homes isolated from all contagion. Along this line, the Peruvian government has chosen to apply a policy of granting monetary subsidies progressively to mitigate the adverse economic impact of compulsory social isolation. The four types of bonds cover 6.1 million households for an amount of S/ 4.46 billion [1]. Also, a series of measures have been initiated to alleviate the effect of isolation on SMEs and large companies through programs such as REACTIVA Peru. The latter program subsidy for firms may avoid layoffs and offset fixed labor cost deteriorated by the economic shutdown.<sup>2</sup>

The main objective of the paper is to find the efficiency of the Financial Support to the poor during the State of National Health Emergency. [3] also analyzed economic consequences of the lockdown or “hammer blow” which attempted to reduce Covid 19 cases and permitted health assistance to most of the population in Intensive Care Unit (ICU). Italy and USA had peaks of 812 and 2,349 deaths during the first wave of cases (March- June 2020). Emerging Countries like Peru, Brazil and Chile, the number hit 584, 650 and 96 death cases during the same period [4].<sup>3</sup> In addition, [3] shows heterogeneous economic and health results after the application of financial support for the Poor. Emerging Economies had more negative consequences in comparison with Developed Economies. The different infrastructure, degrees of informality and ability to cope between the latter set of countries induced heterogeneous results. Our study complements<sup>4</sup> the results of Loayza.

[6] Show how stimulus payments to low-income households increased consumer spending sharply, but little of this increased spending flowed to businesses most affected by the COVID-19 shock, dampening its impacts on employment. [7] shows for a sample in UK that the effect of the Pandemic was homogeneous across gender However for [8] the effect of COVID on employment was asymmetrical and deepened by age for his sample in the US. Our study focusses the initial Pandemic effects in Peru, an emerging economy that may have different effects according to [3] and we will focus the attention on the financial support for vulnerable families in order to offset economic and health negative effects within latter groups.

Next section presents the subsidy policy during the Pandemic for a set of countries in the Latin American Region as well as some Developed Countries. Some Statistics are presented which show preliminary results in lines with our hypothesis set up above. Then a Model of Difference and Difference (DID) is presented along the results, to finally conclude.

## 2. DEVELOPMENT

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<sup>2</sup> See [2] and [3].

<sup>3</sup> There are more case waves with significant effect on death. Lately, we do not have significant amount of deaths since vaccination has progressed worldwide. The data of our study span the first wave of Covid 19 cases.

<sup>4</sup> Also in [5] there is a discussion of low fiscal space characterized by emerging economies.

## 2.1. *The Peruvian Case*

Since August 2020, Peruvian Government provided demand stimulus given by the following programs:

- Bond “Yo me quedo en casa”
- Bond “Rural”
- Bond Familiar Universal
- Bond Independiente
- Bond “Mype”

The Bond "Yo me quedo en casa" is aimed at Households in poverty or extreme poverty according to the Household Targeting System (SISFOH) and is granted under the responsibility of the Ministry of Development and Social Inclusion [9].

The Bond “Rural” aimed Households in conditions of poverty or extreme poverty in rural areas according to the Household Targeting System (SISFOH). For details see the Emergency Decrees No. 027-2020 and No. 033-2020 [10].

The Universal Family Bond is targeted for households whose members are not registered in the Application for the Centralized Registry of Payrolls and Public Sector Data (AIRHSP) or in the available private payroll, and who have not received or will not receive the monetary subsidy from the “Independent” Bond, “Yo me quedo en Casa” and “Rural” Bond. Finally, the “Mype” Perfect Suspension Bond is for workers who are in a perfect suspension of job <sup>5</sup>, who belong to the microenterprise labor regime and whose gross remuneration is up to US\$ 700 dollars per month. More than 6 million people were benefited from the first provision of Bonds which were set in the first half of 2020. The idea is to offset drop in consumption of the vulnerable population within the country.

## 3. CONCLUSIONS

It has been verified that the disbursement granted by the government has been below the average of the region. The disbursement has been granted only once in a period of austerity and quarantine of almost six months. This situation generated movement of agents, increasing the probability of contagion and therefore death from COVID.

Then we have verified in the DID model that there is no significant difference between the treatment and control groups in terms of deaths. We may infer the latter conclusion since the treatment variable effect resulted with a non-significant sign.

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<sup>5</sup> It is not a layd off situation, is just a suspensión of payroll payments.

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