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DRAFT

POST COVID-19 URBAN ECONOMIC AND FINANCIAL RESILIENCE IN LIMA

EXECUTIVE SUMMARY

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CONTENT

1. INTRODUCTION..... 1

2. UNDERSTANDING THE CITY: LIMA 1

3. PANDEMIC IN CONTEXT..... 2

4. RELEVANT INDICATORS 3

5. TOWARDS POST COVID-19 REACTIVATION: PRIORITY LINES OF ACTION 6

6. REFERENCES 9

FIGURES

Figure 1: Larcomar, Miraflores, Lima-Peru. 1

Figure 2: President Martin Vizcarra and Health Minister Maria Hinojosa confirm the first case of COVID-19 in Peru..... 2

Figure 3: Metropolitan Lima relevant indicators..... 3

Figure 4: Ease of working from home by country (2020)..... 4

Figure 5: San Cristobal Hill, Lima-Peru..... 5

Figure 6: Bicycle Lane in Metropolitan Lima. 6

Figure 7: Commercial activity in Peru during COVID-19 pandemic. 8

1. INTRODUCTION

The Post COVID-19 Urban Economic and Financial Resilience Project, carried out by Economic Commission for Latin America and the Caribbean (ECLAC) of United Nations (UN), collected valuable information to narrate events that occurred in the cities of Guayaquil (Ecuador), Lima (Peru) and Santo Domingo (Dominican Republic) in 2020. The main results of this project are documented in detailed economic and financial diagnoses, based on qualitative and quantitative information for each city. Subsequently, the diagnoses were analyzed with a regional prioritization tool that led to the identification of similarities and particularities among the cities, their reactions to the crisis, and the impact it had in their livelihoods. Consequently, this series of executive summaries has been produced using an illustrated narrative to describe the reality of cities. Finally, the document ends by showing examples of lines of action that can be used to achieve the economic recovery of cities after COVID-19.

2. UNDERSTANDING THE CITY: LIMA

The city of Lima, founded on January 18, 1535, is Peru's capital. It is located on central coast of the country, on the Pacific Ocean shores. It forms an extensive urban area called Metropolitan Lima and concentrates around 10 million inhabitants. Currently, Lima is considered the main political, commercial, financial, and cultural center of Peru. Regionally, it ranks fifth among the most populated cities in Latin America and is among the 30 most populated cities in the world (MML, 2021).



Figure 1: Larcomar, Miraflores, Lima-Peru.
Source: Travel Wise, Lima¹.

¹ Travel Wise. Volvés distinto. Diario de viaje a Lima. Retrieved from <https://travelwisenet.com/renovar-el-ser-4/>

3. PANDEMIC IN CONTEXT

In Peru, the first COVID-19's official case was confirmed on March 6, 2020, in Lima by the President of Peru, Martin Vizcarra. It was a 25-year-old man who had been to France, Spain, and the Czech Republic (RPPNoticias, 2020). On March 15, President Vizcarra declared a state of emergency nationwide for 15 days to curb the spread of COVID-19. The measure implied the total closure of borders and the suspension of international passenger transport by sea, land, air, and river. (La República, 2020).



Figure 2: President Martin Vizcarra and Health Minister Maria Hinojosa confirm the first case of COVID-19 in Peru.

Source: TVPerúNoticias (2020)².

Considering the situation of Peru with respect to Latin America and the Caribbean region, in May 2020 the country had the second place with the most confirmed cases of COVID-19 after Brazil, with a total of 115,754 official infections (Millennium, 2020). A year later, Peru was the fifth country in the world with the highest number of deaths from COVID-19, behind United States, Brazil, India, and Mexico. In May 2021, the South American nation reported 180,764 deaths because of the virus, according to data from technical working group convened by President Francisco Sagasti (Diario El Comercio, 2021).

² TVPerú Noticias (2020). Presidente Martín Vizcarra confirma primer caso de coronavirus en el Perú. Retrieved from <https://www.tvperu.gob.pe/noticias/nacionales/presidente-martin-vizcarra-confirma-primer-caso-de-coronavirus-en-el-peru>

4. RELEVANT INDICATORS

The six most relevant socioeconomic indicators are presented to generate lines of action for post-COVID-19 city recovery.

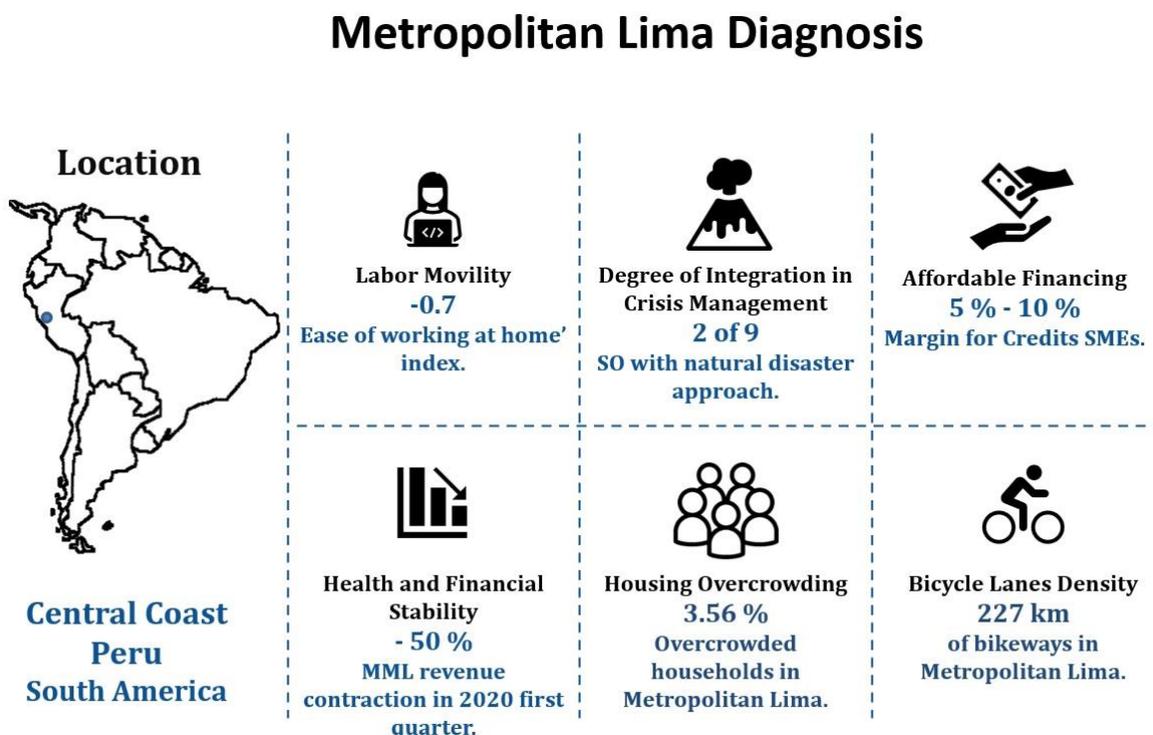


Figure 3: Metropolitan Lima relevant indicators.
Source: Author's elaboration.

Labor Mobility was affected by COVID-19 pandemic, due to mobility restrictions throughout the country. It should be noted that there is no official record of indicators such as occupational or geographical labor mobility updated and disaggregated by districts or gender. In addition, it is observed that another important aspect to monitor is digital mobility of Metropolitan Lima; in other words, the process of adaptation of local workers to new forms of employment, such as remote work³ and teleworking⁴. In Lima, 38.8% of companies operate in presence of their workers; 33% in mixed work (face-to-face and remote) and only 28.2% only remote work (Andina, 2020). This result could be explained by the lack of skills and knowledge on use of technological tools that allow the use of digital technologies in optimal conditions.

³ Presidency of the Republic of Peru (2020). Emergency Decree No 026-2020. Remote work is characterized by provision of subordinate services with physical presence of worker in his home or place of home isolation, using any means or mechanism that makes it possible to carry out the work outside work center, provided that the nature of work is so allow. Retrieved from <https://cdn.www.gob.pe/uploads/document/file/566447/DU026-20201864948-1.pdf>

⁴ Presidency of the Republic of Peru (2015). Supreme Decree No. 009-2015-TR. Teleworking consists of provision of subordinate services, without physical presence in workplace or public entity, through computer, telecommunications, and similar means, through which, in turn, control and supervision of the labors. Retrieved from [https://busquedas.elperuano.pe/normaslegales/decreto-supremo-que-aplicación-el-regdamientos-de-laley-n-30036-decreto-supremo-n-009-2015-tr-1307067- 3/](https://busquedas.elperuano.pe/normaslegales/decreto-supremo-que-aplicación-el-regdamientos-de-laley-n-30036-decreto-supremo-n-009-2015-tr-1307067-3/)

There is a lack of information to monitor indicators related to labor mobility in Metropolitan Lima. The great effect was on the adaptation of workers to remote work and telework. Peru is the second country in the region with the greatest difficulty to work from home, reaching an index of (-0.7) (PIE, 2020).

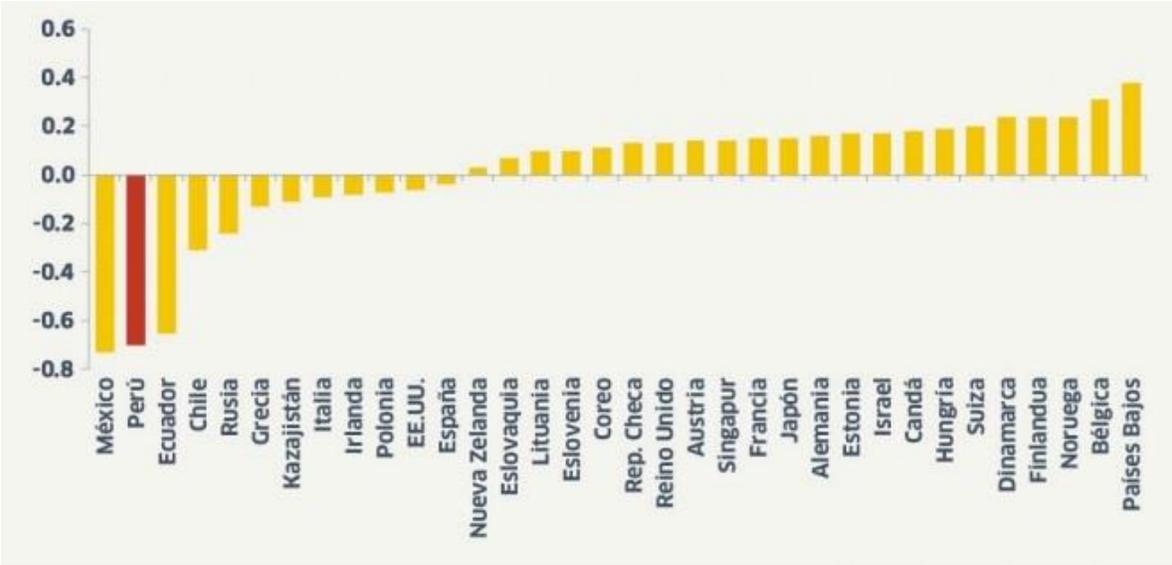


Figure 4: Ease of working from home by country (2020).

Source: Peruvian Institute of Economics (2020), based on a World Bank study (2020)⁵.

The city's difficulties in working from home are an obstacle to optimal use of digital technologies in supply chains, processing, manufacturing, and distribution channels. The use of digital technology will be one of the key aspects for economic reactivation in post-pandemic stage, since the demand for online services (academic training in virtual mode, internet purchases, entertainment, financial services, among others) will increase significantly. Investment and research and development in digital issues should be increased, to increase the provision and access to high-speed broadband networks.

There are significant challenges related to scope and quality of city's planning and budget; especially, in *Degree of Integration in Crisis Management*. In this regard, it is noted that the Metropolitan Municipality of Lima (MML) has a focus on resilience to natural disasters (within the framework of Institutional Strategic Plan of MML 2020-2023); however, there is no evidence of an explicit vulnerability assessment methodology or a comprehensive approach since, historically, the resilience of the city has been managed only in the face of natural disasters (MML, 2019). The context of COVID-19 pandemic requires adapting this approach to a much more comprehensive one that includes resilience in the face of multiple crisis scenarios (health, financial, economic, among others).

Productivity, economic and financial capacity is another relevant aspect for the post-pandemic recovery of the city; especially regarding access to *Affordable Financing* for micro and small businesses (MSBs) in Metropolitan Lima, since historically the credits for MSBs have been characterized by a very high financial cost (Diario Gestión, 2014). Even

⁵ World Bank (2020). Jobs' Amenability to Working from Home: Evidence from Skills Surveys for 53 Countries. Retrieved from <https://openknowledge.worldbank.org/handle/10986/33753>

though more affordable sources of financing for reactivation were offered during COVID-19 pandemic (El Peruano, 2020), the challenge of achieving a better distribution of funds remains; therefore, MSBs require greater technical assistance and support in adaptation and/or transformation process in response to the context of COVID-19 crisis.

Local ***Health and Financial Stability*** implies a greater participation of the city in the financial market through municipal financial institutions; participation that, so far, has been low. Although Metropolitan Lima owns Caja Metropolitana de Lima, its participation and positioning in market is low (1.5% of total direct credits from municipal savings banks) (PCR, 2020); therefore, the possibility of linking sustainable solutions with this municipal financial institution becomes difficult. The presence of the city in the financial market must be increased, and search of resources must be sought to finance sustainable and resilient economic reactivation projects.

On the other hand, ***Housing Overcrowding*** is a key element to overcome COVID-19 crisis, since the strategies developed to reduce infections emphasize maintaining social distancing, not only on public roads but also inside the households (MINSA, 2020). In 2016, housing deficit in Metropolitan Lima reached 612,464 homes (251,942 with a quantitative deficit and 360,522 with a qualitative deficit) (El Economista América, 2017). In addition, there are districts with serious overcrowding problems before pandemic, such as San Juan de Lurigancho (Diario El Comercio, 2020a).



Figure 5: San Cristobal Hill, Lima-Peru.
Source: Diego Delso, Spanish photographer⁶.

Faced with this, the opportunity arises to reduce overcrowding figures and close the housing deficit, through resilient, sustainable, and inclusive projects. In this regard, according to Ministry of Housing, Construction and Sanitation, construction will play a fundamental role in the post-pandemic reactivation, since it is a sector that generates employment and a greater dynamic of productive apparatus at the national level (El Tiempo, 2020).

Bicycle Lanes density is an important aspect in development of sustainable urban mobility projects in context of COVID-19 pandemic. Although Metropolitan Lima already has a bicycle lane plan (World Bank, 2020) (Diario El Comercio, 2020b), MML has been

⁶ Wikipedia (2015). Cerro de San Cristóbal, Lima-Perú. Retrieved from https://es.wikipedia.org/wiki/Archivo:Cerro_de_San_Crist%C3%B3bal,_Lima,_Per%C3%BA,_2015-07-28,_DD_113.JPG

implementing concrete actions to increase lanes density by 39%, in such a way that a total of 374 km of bicycle lanes, all of them interconnected through emerging bicycle lanes, thus narrowing the gap that Lima currently has (Pulso, 2021). Despite this, the construction of a Strategic Plan for Sustainable and Inclusive Mobility is essential, which addresses the structural problem of transport in a more comprehensive and strategic way, proposing green and innovative urban mobility solutions.



Figure 6: Bicycle Lane in Metropolitan Lima.
Source: Andina (2020)⁷.

5. TOWARDS POST COVID-19 REACTIVATION: PRIORITY LINES OF ACTION

COVID-19 pandemic has highlighted structural problems that Peru suffers, which prevent guaranteeing the right of all Peruvians to a dignified and full life, especially during a state of emergency. Likewise, it has been shown that these limitations go beyond commercial and financial system, since they also involve key issues such as housing, security, labor rights, among others. Based on the diagnosis carried out, five lines of action have been identified that can serve as a guide to develop strategies for the reactivation of the economy of city.

- **Support protocols and mechanisms for teleworking and remote work:** The development of this line of action will contribute to resilient recovery of the city, since teleworking and remote work reduce fixed costs for companies, in addition to

⁷ Andina (2020). Serán 374 kilómetros de ciclovías interconectadas en la ciudad de Lima para el 2022. Retrieved from <https://andina.pe/agencia/noticia-seran-374-kilometros-ciclovias-interconectadas-la-ciudad-lima-para-2022-802660.aspx>

contributing to reduction of environmental pollution in the city because of the reduction of vehicular mobilization to workplace. The plans developed in this area must maintain the appropriate balance between work activities carried out at home and the time and private space that workers dedicate to their homes.

- **Comprehensive approach to resilience and vulnerability in a transversal and multisectoral manner:** COVID-19 crisis revealed the precarious living conditions faced by many people in cities. It is necessary to work on municipal management models with a focus on resilience and vulnerability, this implies expanding coverage of social protection networks, universalizing basic services, guaranteeing access to education, health, and other citizen rights, and enhancing management and response capacities of institutions in the face of economic, health and social crises, among others. This implies joint work of Municipality and central government, and the expansion of available resources to guarantee the financing of programs developed to overcome health emergencies.
- **Articulation between key actors in development and consolidation of local enterprises:** Urban development is not only a task of municipal administration, since it requires participation and coordination with other actors that work around this issue, such as private sector, academia, non-governmental organizations (NGOs), central government and international organizations. The sum of forces, resources, expertise, and management capacity of all of them will make it possible to achieve post-pandemic reactivation in a more rapid way. The increased demand for digital goods and services offers a wide range of possibilities for local businesses; it is necessary to create a regulatory framework that provides legal certainty to such activities, together with financing alternatives for new businesses and investment in technology so that such projects can be competitive in the market.
- **Profiling of beneficiaries and allies to promote effective economic reactivation funds for MSBs:** Micro and small businesses (MSBs) were severely affected during COVID-19 pandemic. Many businesses had to close because of falling sales. This contributed to worsening of economic crisis due to increase in unemployment and reduction in tax revenues due to decrease in economic activity. The development of support programs for MSBs, to provide financing for projects that promote digitization of economic activities, technological innovation and that comply with national and international standards will speed up the economic recovery of the city and the recovery of quality employment.
- **Strategic framework for sustainable and inclusive urban mobility:** Building a resilient city necessarily implies the development of sustainable and inclusive urban mobility strategies. The design of urban plans in terms of mobility should not only consider needs of motorized vehicles, but also other actors: pedestrians, non-motorized mobility, among others. COVID-19 pandemic is an opportunity to develop sustainable and inclusive mobility plans, guaranteeing proper balance with nature, and supporting more environmentally friendly forms of mobility. All of this requires active citizen participation in development, execution, and maintenance of such projects, in such a way that such programs are accepted by community.



Figure 7: Commercial activity in Peru during COVID-19 pandemic.
Source: Wayra Noticias (2021)⁸.

To overcome the effects of COVID-19 pandemic in all areas, it is necessary to understand and recognize structural problems that Lima faces. Building resilience at national and local level must consider socio-economic situation, as well as opportunities and risks, so that reconstruction and reactivation is sustainable, inclusive, and resilient.

⁸ Wayra Noticias (2021). Francisco Sagasti: “Cometimos errores al no anticipar la severidad de esta segunda ola”. Retrieved from <https://wayranoticias.com/2021/05/09/francisco-sagasti-cometimos-errores-al-no-anticipar-la-severidad-de-esta-segunda-ola/>

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