

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**PERU**

**IMPROVING ACCESS TO QUALITY CIVIL REGISTRY AND IDENTIFICATION SERVICES  
AT THE NATIONAL LEVEL**

**(PE-L1171)**

**LOAN PROPOSAL**

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## ABBREVIATIONS

AWP	Annual work plan
CGR	Contraloría General de la República [Comptroller General of the Republic]
DNI	Documento nacional de identidad [national identity document]
INEI	Instituto Nacional de Estadística Informática [National Computerized Statistics Institute]
OREC	Oficinas de Registros de Estado Civil [Civil Status Registry Offices]
PEU	Project execution unit
PIDE	Plataforma de Interoperabilidad del Estado [Interoperability Platform of the State]
PVM	Plataforma virtual multiservicio [virtual multiservice platform]
RENIEC	Registro Nacional de Identificación y Estado Civil [National Identification and Civil Status Registry]
RHV	Reportes de hechos vitales [vital statistics reports]
RIS	Registry and Identification Services [Servicios Registrales y de Identificación]
SNIP	Sistema Nacional de Inversión Pública [National Public Investment System]
WAL	Weighted average life

## PROJECT SUMMARY

### PERU IMPROVING ACCESS TO QUALITY CIVIL REGISTRY AND IDENTIFICATION SERVICES AT THE NATIONAL LEVEL (PE-L1171)

Financial Terms and Conditions				
<b>Borrower:</b> Republic of Peru			Flexible Financing Facility <sup>(a)</sup>	
			<b>Amortization period:</b>	15 December 2027
<b>Executing agency:</b> National Identification and Civil Status Registry (RENIEC)			<b>Disbursement period:</b>	4 years
			<b>Grace period:</b>	10.26 years <sup>(b)</sup>
Source	Amount (US\$)	%	<b>Interest rate:</b>	LIBOR-based
<b>IDB (Ordinary Capital):</b>	50,000,000	62.3%	<b>Credit fee:</b>	<sup>(c)</sup>
			<b>Inspection and supervision fee:</b>	<sup>(c)</sup>
<b>Local:</b>	30,214,762	37.7%	<b>Original WAL:</b>	10.26 years <sup>(b)</sup>
<b>Total:</b>	80,214,762	100.0%	<b>Currency of approval:</b>	U.S. dollars from the Ordinary Capital (OC)
Project at a Glance				
<b>Project objective:</b> To provide the population with adequate access to quality civil registry and identification services (RIS) at the national level. The operation will pursue this objective by lowering the transaction cost imposed on Peruvians to obtain registry and identification services. The specific objectives will be: (i) adequate coverage of face-to-face services; (ii) more services delivered to vulnerable populations; and (iii) adoption of technologies for service delivery. These objectives are designed to raise the quality of registry and identification services, facilitate access to them for the population of the most remote communities, and improve the efficiency of RENIEC management.				
<b>Special contractual conditions precedent to the first disbursement of the loan proceeds:</b> (i) evidence will be provided that the project Operating Manual previously agreed upon with the Bank has entered into effect (see paragraph 3.5); and (ii) see paragraph 5.1 of Annex III.				
<b>Exceptions to Bank policies:</b> None.				
Strategic Alignment				
<b>Challenges:</b> <sup>(d)</sup>	SI <input type="checkbox"/>	PI <input type="checkbox"/>	EI <input type="checkbox"/>	
<b>Crosscutting themes:</b> <sup>(e)</sup>	GD <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/>	IC <input checked="" type="checkbox"/>	

<sup>(a)</sup> Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency and interest rate conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

<sup>(b)</sup> The original weighted average life (WAL) may be longer or shorter, depending on the effective signature date of the loan contract.

<sup>(c)</sup> The credit fee and the inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with relevant policies.

<sup>(d)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

<sup>(e)</sup> GD (Gender Diversity and Equality); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. PROJECT DESCRIPTION AND RESULTS MONITORING

### A. Background, problem to be addressed, and rationale

- 1.1 Peru is one of the region's countries that have advanced most in the registration and identification of their inhabitants. The under-registration rate in Peru is 4.4% (130,000 children), below the 8.0% average for Latin America and the Caribbean.<sup>1</sup> At the same time, 98.9% of individuals had an identity document in 2015, leaving some 350,000 Peruvians undocumented. The improvement has been very significant in this regard, considering that in 2005 this rate was 59.2%.
- 1.2 Since 1995, the institution responsible for managing the identification and civil registry service (registration of births, marriages, and deaths) has been the National Identification and Civil Status Registry (RENIEC), an autonomous agency with separate legal status organized and operating under public law. RENIEC's director is appointed by the Consejo Nacional de la Magistratura [National Judicial Council]. It has 460 local service offices throughout the country. This network is supplemented by 4,539 civil status registry offices (ORECs), located outside Lima and reporting to municipal governments, to which RENIEC has delegated responsibilities for registration (but not identification). The ORECs are classified according to the hierarchy of the municipio to which they report: province (189), district (1,575), town or "population center" (2,322), and native community (453). According to 2015 data from the National Computerized Statistics Institute (INEI), Peru has 196 provincial municipal governments and 1,646 district municipal governments.
- 1.3 As indicated in paragraph 1.1, RENIEC has been successfully implementing policies to reduce under-registration as part of its normal operations, and intends to achieve universal coverage using its own resources. As such, this operation is not aimed at reducing under-registration, although it may have a favorable impact on it.
- 1.4 There is great variation in the delivery of registration and identification services (RIS), depending primarily on where the original registration was done or where the service is accessed. The difference primarily reflects the degree of digitization and connectivity of the offices where these services are delivered. For example, the records of the Lima office are digitized, and so can be accessed more quickly from any point in the country. This means that there are three categories of citizens:<sup>2</sup> (i) the first is those with access to relatively high-quality services, even if major opportunities for improvement have been identified (representing 32% of the population, primarily residing in Lima);<sup>3</sup> (ii) the second is those with access to services of relatively low quality (59% of the population, primarily residing in municipios that are provincial and district capitals); and finally (iii) the third group, which is narrowly targeted, represents those who have not yet received RIS, or for whom such services are extremely uncertain (9% of the population, residing primarily in native communities and towns). There are quality issues for all three groups that translate into higher transaction costs for citizens, and the lower the quality, the higher the costs.

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<sup>1</sup> Source: United Nations Children's Fund, 2012. The measurement reflects children under five years of age with no record of birth.

<sup>2</sup> Source: RENIEC.

<sup>3</sup> For example, automated enrollment for issuance of the National Identity Document (DNI).

- 1.5 The principal problem identified is the high transaction costs of obtaining RIS.<sup>4</sup> This problem is associated with the generally low quality (particularly with the spotty coverage in certain parts of the country) and low efficiency of the RIS. The specific problems involved here are described below.
- 1.6 **RIS quality is low.** The low quality of the services is apparent in many respects. These include the large number of registry documents that contain errors, causing unforeseen costs and inconvenience for the citizens affected;<sup>5</sup> and the still-early stage of development of online services (for example, certified copies of documents cannot be obtained online), which obliges citizens to travel, with the associated costs and loss of time, thus affecting the perceived quality. The factors behind this problem are: (i) the lack of ORECs that issue electronic registry documents, which perpetuates the flow of paper documentation; (ii) the large stock of paper documents that have not been digitalized,<sup>6</sup> preventing their integration into the RENIEC database and leaving them inaccessible from any automated office (including the self-service terminals known as “virtual multiservice platforms”); (iii) service windows that are overloaded with demand<sup>7</sup> and have only a limited and concentrated number of self-service points (these are in high demand, and have already issued more than 500,000 registry documents, but there are only 11 virtual multiservice platforms, all located in Lima);<sup>8</sup> (iv) the limited availability of online registry services (currently only seven of the 30 services offered are available online);<sup>9</sup> (v) obsolete technology used for identity enrollment, requiring citizens to complete a previous step to obtain the hardcopy photograph; (vi) centralized printing of ID documents in Lima, which means that all documentation has to be sent to Lima, processed, and returned to the office of origin (as a result, delivery times range from one day in Lima and Arequipa to 30 days in some offices in the rest of the country); (vii) the still-limited

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<sup>4</sup> The annual unit transaction cost involved in meeting the requirements for registration and renewal of the DNI is 32.8 Peruvian soles, whereas the cost of obtaining a certified copy for domestic migrants is 209 soles. Both costs could be lowered significantly.

<sup>5</sup> The error rate varies between 60% for some ORECs to virtually zero for the online offices. On average, digitizing documents has been found to have an error rate of 7%, source: RENIEC, “Estudio de Preinversión de Factibilidad del Proyecto de Inversión Pública: Mejoramiento del Acceso a los Servicios de Registros Civiles e Identificación de Calidad a Nivel Nacional” [Preinvestment Feasibility Study for the Public Investment Project: Improving Access to Quality Civil Registry and Identification Services at the National Level], hereinafter referred to as the “Preinvestment Study for the Public Investment Project.” The SNIP was replaced by INVIERTE.PE by Legislative Decree 1252 of 1 December 2016. Source: Ministry of Finance.

<sup>6</sup> At present, only 14 million of the 63 million hardcopy registry documents have been digitized: this, together with the documents originally issued in electronic format, implies that 21% of the population has a digital birth certificate. The conversion from physical to legally valid digital documents reduces waiting times from days to minutes with significant cost savings both to the service and to citizens. See “Mejora de la Gestión” [Operational improvements], RENIEC, 2015.

<sup>7</sup> RENIEC service windows, or “ventanillas,” are those located in any of its 460 offices: they total 1,400, distributed among the 22 departments. For nine of these, average waiting time is longer than the national mean of 13 minutes; in some cases the waiting time is as long as an hour and a half (Apurímac). It is normal practice in operational research to dimension the resources necessary to provide a service on the basis of waiting times, applying [“queuing theory”](#).

<sup>8</sup> Source: SNIP.

<sup>9</sup> Source: SNIP.

dissemination and use of the digital national identity document (DNI);<sup>10</sup> and (viii) the high rate of turnover among OREC registry staff (30% of registrars remain in office for less than two years, and 31% for between two and four years),<sup>11</sup> which imposes training needs beyond those associated with implementing new processes.

- 1.7 **RIS are not available, or their delivery is highly uncertain, in some parts of the country.**<sup>12</sup> This is due primarily to four factors stemming from geographic isolation and cultural diversity: (i) the system of mobile brigades is limited and poorly equipped, their operations are strictly manual, and they deal exclusively with the DNI; each of the 16 regional headquarters have mobile brigades employing some 350 staff, but they suffer from shortages in terms of vehicles, boats, and mobile computer equipment;<sup>13</sup> (ii) local registrars receive little in the way of technical assistance;<sup>14</sup> and (iii) there is not enough coverage for the bilingual civil registry program, to ensure that all Peruvians have birth certificates in Spanish and in their mother tongue (there are currently bilingual registries for five of a total of 27 native languages that have an alphabet, including Jaqaru and Awajun, which are spoken by 600 and 70,000 persons, respectively).<sup>15</sup>
- 1.8 **Efficiency in service delivery is low.** RENIEC faces high operating costs due to the low level of digitization of its key processes. For example, the annual cost of transporting registry certificates and identification documents is as high as 2.36 million soles, which could be significantly lowered if processes were digitized. Efforts at digitization, however, are hampered by the obsolescence of RENIEC's information and management systems, which have already exceeded their normal useful life. The main factors behind this are: (i) the limited amount of registry and identification information available in the Interoperability Platform of the State (PIDE);<sup>16</sup> (ii) the low level of automation in generating management information (RENIEC does not yet have automated mechanisms that provide managers with timely information for decision-making, so reports must be prepared manually using

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<sup>10</sup> Digital DNI is defined as the instrument enabling a person to identify himself or herself over the Internet, especially for high risk transactions. This RENIEC initiative seeks to expand digital government (authorizing the performance of bureaucratic transactions online), as well as electronic banking and e-commerce. The system is in its early stages: in 2016, only 115,000 of the 5.6 million DNIs issued were electronic (with digital identifier).

<sup>11</sup> Source: RENIEC, SNIP Preinvestment Study.

<sup>12</sup> The country has 2,655 towns or "population centers" in the Andean region that are home to 2 million people. There are 1,786 native communities in the Amazon region that are home to 300,000 people. In addition, around 700,000 persons live in some 100,000 small villages scattered across the country. No RENIEC registry services are provided in 12% of the towns and 75% of the native communities. This means that approximately 320 towns and 1,340 native communities have no local civil registry service.

<sup>13</sup> Source: RENIEC.

<sup>14</sup> "Registry Technical Assistance" (ATR) is a tool for improving the management of community registries with the objectives of: (i) strengthening the capabilities of their civil registrars; (ii) promoting coordination with other local operators; and (iii) improving compliance with the filing of vital statistics reports (RHVs) to the RENIEC. ATR involves a visit during which advisory support is provided to registrars on procedures (requirements, timing, sending information to RENIEC etc.), completed certificates are reviewed, errors are identified, etc. These visits are very sporadic: thus far only 150 civil status registry offices (ORECs) in native communities (33%), and none in towns, have received a technical assistance visit.

<sup>15</sup> However, bilingual registries are available at 137 offices in towns and native communities. Source: RENIEC.

<sup>16</sup> Currently nine of the 33 personal identification attributes managed by RENIEC are available on the PIDE platform. Source: Digital Government Department, which administers the platform.



informal information systems);<sup>17</sup> and (iii) the obsolescence of the technological platform necessary to manage the digital identifier: the processing and cryptographic servers are more than five years old and no longer supported or warranted by manufacturer.<sup>18</sup>

- 1.9 **Lessons learned and relationship with other Bank operations.** This project will draw upon experience gained by the Bank in other projects to support the modernization of public processes and services. These include the Program to Support e-Government Management in Uruguay I and II (loans 1970/OC-UR and 2591/OC-UR), Modernization of the National Civil Registry, Identification and Documentation System of Ecuador (loan 2487/OC-EC); Tax and Customs Management Consolidation Projects in Peru (loan 3214/OC-PE); Modernization of the Public Financial Administration System to Improve Public Resource Programming, Execution, and Reporting in Peru (loan 2445/OC-PE); and Improving the Public Sector Payroll Budget Information System (loan 2991/OC-PE); as well as the technical-cooperation projects for strengthening of the National Civil Registry and Identification System for undocumented Peruvians in the Department of Huancavelica (ATN/OC-12005-PE) and design and development of a National Identification System in Jamaica (3565/OC-JA). Lessons learned from these projects include the following: (i) digital public management solutions should seek to encourage simultaneous and complementary action by various government agencies (extension of the electronic registry certificate to 286 municipios is intended to consolidate their operational relationship with RENIEC); (ii) when RENIEC is able to perform its apex role in supporting and supervising municipal civil registries in vulnerable areas, the quality of services improves (this lesson was built into the design of activities I and III of component 2); (iii) the reforms and corresponding transformations of internal processes require attitudinal changes and the development of skills on the part of public servants (the project has included, on one hand, activities for skills development, such as activity VIII of component 1 and activity III of component 2 and, on the other hand, attitudinal changes, such as activity V of component 3); (iv) the technology selected must be compatible with the desired objectives and the available resources (in component 1 the digitization targets are realistic); and (v) the technological shift improves service delivery and the transparency of processes by establishing clear procedures and reducing discretion on the part of officials (this will happen with the live capture and electronic registry certificate of component 1 and with the systems obtained through activities I and II of component 3). In addition, this operation is complementary to the Project for Improvement of Services to Citizens and Businesses (PE-L1222, now in preparation), which focuses on the interoperability of administrative registries. One of the main objectives of that operation is to update and expand the PIDE platform as a means for delivering better services. To increase the exchange of information on citizens through the PIDE platform, it is essential that such information be digitized. Consequently, the digitization of certificates and various key processes to be achieved with this project will make it possible to expand the volume of information that can potentially be shared through the PIDE.

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<sup>17</sup> Source: RENIEC.

<sup>18</sup> Source: RENIEC, SNIP Preinvestment Study.

- 1.10 **Strategic alignment.** This project is included in the 2017 Operational Program report (document GN-2884) and aligned with the Bank's strategic objective to improve public management in the country strategy with Peru (2017-2021) (document GN-2889). It is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and aligned with the crosscutting areas of (i) gender equality and diversity, through component 2 (alignment with this crosscutting area is with respect to indigenous peoples, which are one of the groups envisaged by the Bank in this area, as all outputs of component 2 are targeted to that demographic segment); and (ii) institutional capacity and rule of law, through improvement of service quality and accessibility. The project is aligned with the Sector Strategy on Institutions for Growth and Social Welfare (document GN-2587-2), which gives priority to strengthening the management of government agencies by simplifying procedures.
- 1.11 Approximately 27.4% of the operation's resources will be invested in activities to mitigate climate change, in accordance with the [Joint Report on Multilateral Development Banks' Climate Finance](#). These resources will contribute to the IDB Group's goal of increasing financing for climate change-related projects to 30% of all operation approvals by the end of 2020. The foregoing and its corresponding alignment with the crosscutting area of climate change and environmental sustainability is reflected in the Results Matrix through impact indicator 1 ("Lower transaction costs to obtain registration and identification services").

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

- 1.12 **Project objective.** To provide the population with adequate access to quality civil registry and identification services (RIS) at the national level.<sup>19</sup> The operation will pursue this objective by lowering the transaction cost imposed on Peruvians to obtain registry and identification services. The specific objectives will be:<sup>20</sup> (i) adequate coverage of face-to-face services; (ii) more services delivered to vulnerable populations; and (iii) adoption of technologies for service delivery. These objectives are designed to raise the quality of registry and identification services, facilitate access to them for the population of the most remote communities, and improve the efficiency of RENIEC management.
- 1.13 **Beneficiaries.** The principal beneficiaries will be Peruvian citizens, in particular those whose vital records are not digital and are not integrated into the RENIEC systems and those belonging to remote communities which are largely beyond the

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<sup>19</sup> Peru has significant cumulative experience in improving access to quality services, as evident in the following cases: (i) the use of the electronic registry certificate in Lima has reduced the error rate to virtually zero, and its extension to the rest of the country will make the service more equitable; (ii) the issuance of more than 9,000 DNIs in the form of bilingual certificates has promoted the inclusion of indigenous peoples, and the addition of a further six languages will strengthen this inclusive process; and (iii) implementation of "live capture" (see footnote 23) on a pilot basis in certain Lima offices has lowered operating costs in producing DNIs, and its extension to the rest of the country will have a positive impact on the efficiency of the RENIEC.

<sup>20</sup> The project's internal validity can be confirmed from reports such as that of [Eric R. Link](#) (2015), which shows how digitization and deconcentration of the process of delivering certified copies of birth certificates in the State of Virginia (United States) eliminated inequalities in access to service between citizens of Richmond and those of the rest of the state, lowering transaction costs, shortening time frames, and raising government revenues. That article also highlights the importance of providing citizens with same-day certificate delivery.

reach of RIS. The digitization of certificates and implementation of the electronic registry certificate will benefit some 8 million Peruvians, and “live capture” will benefit 24 million. In addition, more than 400 native communities will be equipped with their own registry offices. Benefits will also accrue to public agencies (especially in the areas of social development, public safety, health, and education) and the private sector (commerce and banking), as they will have a simpler and more robust process for verifying the identity of their beneficiaries and clients. Lastly, RENIEC and OREC employees will benefit from better tools and working conditions.

**1.14 Component 1. Adequate coverage of face-to-face services (US\$39.9 million).**

This component seeks primarily to strengthen the services of the provincial and district ORECs, so as increase significantly the proportion of Peruvians receiving high-quality registry and identification services. It also seeks to improve identification service at the national level. The following activities will be included: (i) proper dimensioning of service centers; (ii) improvement of the information management of the municipal governments and RENIEC; (iii) decentralization of the DNI entry, evaluation, and printing system; (iv) improved management for organizational processes; and (v) strengthening of specialized records staff.

- 1.15 The first activity involves: (a) improving customer service through the establishment of new service points and improvements to service centers (there are plans to introduce new RENIEC service windows, to install virtual multiservice platforms, and to air-condition RENIEC offices);<sup>21</sup> and (b) improving the enrollment process by implementing live capture systems (i.e., taking fingerprints and facial photographs with digital equipment at the service center).<sup>22</sup> The second activity involves: (a) introducing the electronic registration certificate at provincial ORECs, district ORECs, and RENIEC service windows; and (b) digitizing and revising registry certificates (this digitization is an indispensable condition for ensuring that information on these citizens is available through the Interoperability Platform of the State (PIDE), and will do away with the need for the migrant population to return to their municipio of origin to obtain a copy of their certificate, with beneficial impact in terms of both lower transaction costs and reduced greenhouse gas emissions, and consequently the mitigation of climate change).<sup>23</sup> The third activity involves: (a) setting up new, decentralized printing centers for ID cards (currently there is one plant for printing polycarbonate DNI cards, located in Lima; with the project, five additional plants will be added, in Arequipa, Cuzco, Junín, Piura, and San Martín); and (b) updating the technological platform for digital identity management (includes new public key infrastructure for the delivery of digital services). The fourth activity involves improving administrative processes. Lastly, the fifth activity involves training personnel at the service centers (this training includes classroom and virtual courses for new OREC employees and refresher training for long-term personnel, especially in the use of the new processes and systems introduced by this project) and awareness campaigns.

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<sup>21</sup> These actions do not involve any new infrastructure or expansion of existing infrastructure, but rather the optimization of existing spaces.

<sup>22</sup> Significant savings can be achieved with the adoption of biometric technologies: the cost of investment was recovered in one year with the savings from a biometric system in Bolivia ([Hernandez and Mugica, 2003](#)).

<sup>23</sup> These certificates correspond to the totality of the provincial ORECs (189).

- 1.16 **Component 2. More services delivered to vulnerable populations (US\$14.5 million).** This component seeks to enable these communities to effectively exercise the right to a legal identity and registry services of better quality. The following activities will be included: (i) improvement of resources for coverage of the vulnerable population; (ii) coordination with native communities and towns with municipal governments; and (iii) effective mechanisms for service delivery to the vulnerable population in native languages.
- 1.17 The first activity involves: (a) computer equipment and logistics for itinerant units; and (b) technical assistance and training for the registrars of towns and native communities.<sup>24</sup> The second activity involves the delegation of registry authority to native communities (as indicated in paragraph 1.2, RENIEC may delegate registry authority to municipios: the delegation involves setting up an OREC to take over delivery of registry services in accordance with processes established by RENIEC, which supervises and certifies its registrars). Lastly, the third activity involves extension of the bilingual civil registry to new native languages. These activities will be supported by awareness, coordination, and change management campaigns for each of the communities.
- 1.18 **Component 3. Adoption of technologies for service delivery (US\$21.6 million).**<sup>25</sup> This component seeks to increase RENIEC's efficiency by updating its principal information systems, contributing to PIDE platform operation (in line with Legislative Decree 1246) and to deconcentrate its activities outside Lima. The following activities will be included: (i) development of Web-based services; (ii) coordinated information systems for service delivery; and (iii) user capacity-building in the use of technologies.
- 1.19 The first activity involves: (a) a new, integrated management system for registry and identification processes which will enable, among other things, the exchange of RENIEC data with the PIDE platform (these activities will support the PIDE modernization project financed by operation PE-L1222 and will be carried out in full observance of the existing rules concerning the exchange of personal data); (b) purchase of basic hardware and software to support the new systems; and (c) development of new virtual services (RENIEC currently offers online services only for identity; this project will add online services related to civil registry). The second activity involves a new management information system. Lastly, the third activity involves change management for the above activities (training associated with use of the new systems by employees is included in component 1).

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<sup>24</sup> According to the [World Health Organization](#) (2013), training and professional development for registrars in rural areas contributes significantly to enhancing the quality and coverage of registry services. A study conducted by RENIEC in 2015 showed that, after receiving technical assistance, the certificate error rate dropped from 29% to 2.6%, while the timely delivery rate of vital statistics reports (RHVs) rose from 44% to 68%.

<sup>25</sup> The "electronic live birth certificate" was introduced in Uruguay in 2008. Through the digitization of certificates and the entire process of registration and identification, it facilitated implementation of interoperability among all institutions involved in RIS, reduced levels of error in the records, allowed for their accurate traceability, and reduced travel requirements for citizens. Source: IDB, [Gobiernos que Sirven](#) [Governments That Serve], 2016.

### C. Key results indicators

- 1.20 **Expected outcomes.** The principal impact of the operation will be to lower the transaction costs imposed on Peruvians to obtain registration and identification services (RIS), especially those involved in obtaining the national identity document (DNI). This will be a consequence of the following, among other factors: (i) improved quality of RIS provided in municipios that are provincial and district capitals, measured by the quantity of registry certificates with errors, among other factors; (ii) improved access to RIS for the citizens of the most remote communities, measured by the proportion of DNIs issued on the basis of bilingual certificates; and (iii) improved efficiency of RENIEC management, measured by operating costs associated with the production of registry certificates and DNIs.<sup>26</sup>
- 1.21 **Economic evaluation.** The project is expected to have a high social return. The economic evaluation looked at the monetizable benefits of components 1 and 3 flowing from the following actions: implementation of live capture, Web-based service, digitization of certificates, and the opening of DNI printing plants. These actions produce a series of benefits, including time savings to citizens, travel savings in terms of visits to RENIEC or OREC offices, elimination of the need to purchase a photograph in order to apply for the DNI (with implementation of live capture), and delivery cost savings through the decentralization of DNI printing. Considering the IDB loan investment and the counterpart investment for these two components, plus an additional amount for operating and maintenance cost escalation, the analysis yields, in the base case scenario, a cost-benefit ratio of 1.59, a net present value of US\$52.6 million, and an internal rate of return of 57.6%.<sup>27</sup>

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 The project will have a total cost of US\$80.2 million, financed with a specific investment loan in the amount of US\$50 million, drawn on the Bank's Ordinary Capital resources, and a local counterpart contribution in cash estimated at approximately US\$30.2 million. The disbursement period will be four years. Table 1 describes the budget by component. For more detail, see the [Itemized Budget](#).

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<sup>26</sup> See Annex II.

<sup>27</sup> The information source for the analysis was the RENIEC "Preinvestment Study for the Public Investment Project: Improving Access to Quality Civil Registry and Identification Services at the National Level – Output 4: Formulation and Evaluation." This study also includes an estimate of the social return that yielded several different outcomes. The differences are due primarily to: (i) the discount rate used (the IDB's standard rate is 12%, whereas the RENIEC uses 16%); and (ii) the programming of expenditures (the RENIEC study assumes that the entire investment will occur prior to the project's startup or in its first year, whereas the IDB study assumes that the expenditures will be incurred during execution of the loan).

**Table 1. Estimated project costs (in US\$)**

<b>Components</b>	<b>IDB</b>	<b>Local</b>	<b>Total</b>
Component 1. Adequate coverage of face-to-face services	19,973,892	19,973,892	39,947,784
Component 2. More services delivered to vulnerable populations	6,781,766	7,767,337	14,549,103
Component 3. Adoption of technologies for service delivery	19,931,599	1,707,133	21,638,732
<b>Subtotal components</b>	<b>46,687,257</b>	<b>29,448,362</b>	<b>76,135,619</b>
<b>Project administration, evaluation (midterm and final), audits, and studies</b>	<b>3,312,743</b>	<b>766,400</b>	<b>4,079,143</b>
<b>Total</b>	<b>50,000,000</b>	<b>30,214,762</b>	<b>80,214,762</b>

- 2.2 RENIEC has demonstrated an excellent ability to manage its resources. It administers an annual budget of US\$100 million, and in 2016 achieved 98% budget execution. It also administers a payroll of nearly 4,000 employees. As many of the activities to be financed by the project were already performed in Lima (digitization of registry certificates, delivery of electronic DNIs, etc.), the learning curve has is already complete, and the experience gained remains with the institution. Moreover, the total amount of the operation will be US\$80 million, which means an annual average of US\$20 million, or 20% more than its total budget. With its previous experience and the technical support to be provided by the project, effective execution of the operation should be possible within a period of four years, as proposed. The annual projection of disbursements is shown in Table 2, below:

**Table 2. Annual projection of disbursements (in US\$)**

<b>Year</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Amount	1,167,067	24,318,073	13,683,320	10,831,540

## **B. Environmental and social safeguard risks**

- 2.3 There are no environmental or social risks associated with the proposed activities under this operation, in accordance with the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703), so the operation is classified as category "C." However, RENIEC's limited institutional capacity for managing potential environmental impacts of the project has been identified as a low risk.

## **C. Fiduciary risks**

- 2.4 The risk assessment conducted during the design stage of the program identified a risk, in the fiduciary area, of cost and time overruns in project implementation due to the still relatively limited capacity for fiduciary management in accordance with Bank policies. To mitigate this risk, assessed as "medium," the contractual conditions precedent to the first disbursement of the loan proceeds include provisions relating to key personnel and the project [Operating Manual](#). Additionally, assistance and coaching in fiduciary matters will be provided to the project execution unit (PEU).



## D. Other project risks

- 2.5 The risk management workshop identified other risks, all of them relating to public management and governance, that could affect execution of the project, and mitigation measures were proposed for those assessed as medium: (i) delays in execution resulting from complex institutional and coordination arrangements between RENIEC and the municipios; (ii) project management problems at the local level resulting from uneven management capacities; (iii) purchase of information systems that do not fully address the needs of the RENIEC or that generate difficulties in RENIEC's relations with suppliers; and (iv) possible resistance on the part of RENIEC employees in adapting to the new work processes. To mitigate the first risk, the following measures were identified: (i) provide technical assistance and equipment to municipios to ensure interoperability with RENIEC, as called for in components 1 and 2; (ii) meetings with mayors and their teams to present the project both to the existing authorities at the outset of the project and to their successors during execution; and (iii) field visits of RENIEC personnel at the central and departmental level to the OREC to strengthen interagency coordination at all levels (provincial and municipal). The second risk will be mitigated through expanded training of local employees by the RENIEC line branches and reassigning employees among the various headquarters and offices. The risk relating to information systems will be mitigated through close coordination between the technology branch and the other branches involved (both for procurement processes and during implementation) and the contracting of an expert to support technical monitoring of the contracts for the most critical procurement items. Finally, the last risk will be mitigated through management of change and awareness raising activities called for in component 3, as well as training in the new work processes.
- 2.6 **Sustainability.** The sustainability of the outcomes will rely on the institutional strength of RENIEC, its financing model based on direct revenue collection,<sup>28</sup> and the fact that the increase in operating costs associated with the higher quality of services (5.6 million soles a year<sup>29</sup>) is very small in comparison with the institution's budget.<sup>30</sup> This variation is quite manageable and has been taken into account by RENIEC and the Ministry of Economy and Finance for future budget planning purposes. On this point, it should be noted that RENIEC is projecting an increase in its revenues from the sale of identity verification services to private institutions such as the banking sector. Between 2012 and 2016, the proportion of direct revenues from the sale of services to institutions (rather than to citizens) rose from 19% to 33%.<sup>31</sup> On the other hand, the technological capacity that will be provided by the project, together with the growing digitization of Peruvian society, will allow RENIEC to promote digital services in general, accentuating this trend and reinforcing the sustainability of its management.

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<sup>28</sup> In 2016, 76% of its budget was financed with the proceeds from the sale of services (primarily the issuance of DNIs and certified copies of registry certificates and queries of its databases). Under the budget plan for 2017, direct revenues will cover 87% of the budget.

<sup>29</sup> Source: SNIP Preinvestment Study.

<sup>30</sup> The RENIEC budget for 2017 was 325 million soles. The average budget amount for the last five years is 335 million, ranging between 317 million and 351 million (approximately +/-5%). The increase in operating costs due to higher service quality amounts, then, to 1.7% of the average budget.

<sup>31</sup> Source: [Institutional Capacity Assessment \(ICAS\)](#).

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Republic of Peru. The executing agency will be the RENIEC, which will be responsible for executing the project and maintaining direct relations with the Bank. The project is aligned with the legal mandate and the administrative and operational structure of the RENIEC, an autonomous agency of Peru with responsibility for planning, managing, coordinating and overseeing the registration and identification of individuals.<sup>32</sup>
- 3.2 For effective execution of the project in the various localities and to consolidate coordination with the respective municipios, RENIEC staff and expert consultants engaged by the project will make a series of presentations on the project to the municipal authorities. Additionally, the registry technical assistance described in paragraph 1.6 are expected to reinforce ties between RENIEC and the municipalities.
- 3.3 A project execution unit (PEU) will be established within RENIEC with responsibility for executing all processes involved in planning, financial administration, procurement, and monitoring. At a minimum, the key personnel of the PEU will fill positions with the following job descriptions: (i) a general coordinator; (ii) a chief of administration; (iii) a financial specialist; (iv) a planning and budgeting specialist; (v) an accounting specialist; and (vi) a procurement specialist.
- 3.4 The PEU will be managed by the general coordinator, appointed by RENIEC, working under the supervision of National Headquarters with responsibility for: (i) preparing the bidding documents; (ii) monitoring technical assistance projects; and (iii) complying with rules relating to e-government and interoperability. In addition, the general coordinator will be in charge of: (i) liaison with the Bank; (ii) disbursement requests; (iii) proposals for contracting and procurement; (iv) reports on the use of resources; and (v) delivery to the Bank of the annual work plans (AWPs), the [procurement plan](#), and progress, audit, and evaluation reports. The coordinator will also perform the controls necessary to ensure the proper use and transparency of the funds under his or her responsibility.
- 3.5 **Project Operating Manual.** The project [Operating Manual](#) will detail the operation's execution strategy and will include: (i) the organizational arrangements for the project; (ii) the technical and operational arrangements for its execution; (iii) the arrangements for programming, monitoring, and evaluation of results; (iv) the guidelines for financial, audit, and procurement processes; and (v) the details of the PEU functions as well as the responsibilities of other RENIEC units involved in the project. Its annexes will include at least the following: (i) the Results Matrix; (ii) the Fiduciary Agreements and Requirements; (iii) the [monitoring and evaluation plan](#); and (iv) the itemized budget. To ensure successful execution of the program and mitigate the public management and governance risks (see paragraph 2.5), the PEU will provide evidence that the project Operating Manual previously agreed upon with the Bank has entered into effect, **as a special contractual condition precedent to the first disbursement of the loan proceeds.**

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<sup>32</sup> Law 26497 (1995), Act Establishing RENIEC.



- 3.6 **Fiduciary agreements and requirements.** The Fiduciary Agreements and Requirements establish the framework for financial management and planning, as well as for procurement supervision and execution, during project execution. The loan proceeds may be disbursed as advances of funds, reimbursement of expenditures, and direct payment to suppliers. For advances of funds, disbursements will be based on expenditure projections for up to 180 days. The minimum percentage required for the replacement of advances will be 80%. The executing agency will deliver audited financial statements, annually and at the end of the program, in accordance with the terms and deadlines required by Bank policies. For such purpose, the PEU agrees to engage an independent audit firm acceptable to the Bank for the duration of the project.
- 3.7 The [procurement plan](#) will be managed through the online Procurement Plan Execution System (SEPA). The procurement of goods and works and the contracting of consulting services will be conducted in accordance with the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9), both of March 2011, or their subsequent updates. Procurement and contracting by public entities under subprojects financed by this project must be conducted in accordance with those policies.
- 3.8 **Recognition of expenditures.** The Bank may recognize up to US\$1.4 million (4.6% of the estimated amount of the local contribution), as a charge against the local contribution, for eligible expenditures incurred by the borrower prior to the date of loan approval, provided that requirements substantially similar to those established of the loan contract have been met. Such expenditures will allow the executing agency to continue with program activities that have already started, such as those relating to establishment of the PEU, the digitization and revision of registry certificates, and the studies to define the technical specifications of the equipment to be acquired for the project, among other consulting services. These expenditures must have been incurred on or after 14 February 2017 (approval date of the program profile) but in no case will they include expenditures incurred more than 18 months prior to the date of loan approval.
- B. Summary of arrangements for monitoring results**
- 3.9 **Monitoring.** The program will be executed on the basis of the [monitoring and evaluation plan](#). For monitoring purposes, the following instruments will also be used: (i) Results Matrix; (ii) multiyear execution plan; (iii) AWP; (iv) [procurement plan](#); (v) risk matrix; (vi) progress monitoring reports; (vii) six-monthly status reports; (viii) audited financial statements; (ix) terms of reference for consulting engagements; and (x) administration missions or monitoring/inspection visits. The executing agency and the Bank will meet annually to discuss, among other things: (i) the progress of activities identified in the AWP; (ii) the progress toward the indicators established for each component; (iii) the AWP for the following year; and (iv) the [procurement plan](#) for the next 12 months and any changes to budgetary allocations per component.
- 3.10 **Evaluation.** The project will be evaluated using the Results Matrix and the [monitoring and evaluation plan](#). The project calls for a midterm and a final evaluation that will address technical, administrative, and financial aspects, as well as an

ex post cost-benefit analysis. The midterm evaluation will be conducted when at least 40% of the loan proceeds have been disbursed, or two and a half years have passed since the loan contract enters into force (whichever occurs first). The principal objectives of this evaluation will be to review the progress of all activities programmed to that time, to identify any deviations that may have occurred and the causes of those deviations, and to propose corrective measures, as well as to verify the intermediate outputs generated, the occurrence of risks foreseen in the corresponding matrix, and the application of measures to mitigate them. The final evaluation will be performed when at least 90% of loan proceeds have been disbursed, and its objective will be to verify progress against the targets set for each of the expected outcomes, and the generation of outputs per component.

- 3.11 The ex post cost-benefit analysis will be performed before the operation is complete, and measure whether the benefits projected in program preparation were actually achieved and, if not, explain the deviations. The methodology used will be the same as for the ex ante analysis. As input, it will use RENIEC administrative records to verify demand for the services, as well as a series of surveys of RENIEC service users to verify the projected time and cost savings. The details of these surveys are found in the [monitoring and evaluation plan](#). A sufficient, specific budgetary allocation has been made for monitoring and evaluation activities.

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	-Gender Equality and Diversity -Climate Change and Environmental Sustainability -Institutional Capacity and the Rule of Law	
Country Development Results Indicators		
2. Country Development Objectives	Yes	
Country Strategy Results Matrix	GN-2889	Improve public management.
Country Program Results Matrix	GN-2884	The intervention is included in the 2017 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability	Evaluable	
3. Evidence-based Assessment & Solution	7.8	
3.1 Program Diagnosis	2.4	
3.2 Proposed Interventions or Solutions	2.4	
3.3 Results Matrix Quality	3.0	
4. Ex ante Economic Analysis	10.0	
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	4.0	
4.2 Identified and Quantified Benefits	1.5	
4.3 Identified and Quantified Costs	1.5	
4.4 Reasonable Assumptions	1.5	
4.5 Sensitivity Analysis	1.5	
5. Monitoring and Evaluation	7.5	
5.1 Monitoring Mechanisms	2.5	
5.2 Evaluation Plan	5.0	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medium	
Identified risks have been rated for magnitude and likelihood	Yes	
Mitigation measures have been identified for major risks	Yes	
Mitigation measures have indicators for tracking their implementation	Yes	
Environmental & social risk classification	C	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control.  Procurement: nformation System, parison.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Gender Equality		
Labor		
Environment		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan		

Note: (\*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The objective of the project is to achieve adequate access by the population to services of civil registries and identification of quality, at the national level. The following specific objectives will be pursued: (i) improve the quality of the Registration and Identification Services (SRI for its name in Spanish); (ii) facilitate SRI's access to the population of the most isolated communities; and (iii) improve the efficiency in the management of the National Registry of Identification and Legal Status (RENIEC for its name in Spanish).

The main problems identified are related to the high transaction costs imposed to Peruvians to obtain SRI, which are associated with poor quality (particularly the precarious coverage in some areas of the country) and low efficiency of the SRI. These problems and their determinants are adequately specified and quantified.

The loan proposal clearly identifies the potential beneficiaries of the project. The project's vertical logic is clear and well specified. The link between interventions and problems is adequately established. However, the project does not present adequate evidence of external or internal validity of the proposed solutions.

The Result Matrix is adequately constructed and contains the required elements for monitoring project results. The proposed impact, outcomes and output indicators are SMART.

The loan proposal includes an ex ante Economic Analysis where the economic benefits have been clearly quantified and the costs reflect real resource costs to the economy. The estimated Net Present Value (NPV) is US\$ 52.6 million and the Internal Rate of Return (IRR) is 57.6%. The assumptions used are clearly presented and a sensitivity analysis is performed undertaking variations in key assumptions. The documentation includes an ex post economic evaluation proposal using the same methodology to recalculate the IRR and the NPV.

The loan proposal includes an adequate monitoring and evaluation plan. However, the program does not propose to conduct an impact evaluation with experimental or quasi-experimental methodology.

The documentation includes a risk matrix, with five risks classified as Medium. Mitigation measures are identified with adequate monitoring indicators.

## RESULTS MATRIX

<b>Project objective:</b>	To provide the population with adequate access to quality civil registry and identification services at the national level. The operation will pursue this objective by lowering the transaction cost imposed on Peruvians to obtain registry and identification services. The specific objectives will be: (i) adequate coverage of face-to-face services; (ii) more services delivered to vulnerable populations; and (iii) adoption of technologies for service delivery. These objectives are designed to raise the quality of registry and identification services, facilitate access to them for the population of the most remote communities, and improve the efficiency of RENIEC management.
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### EXPECTED IMPACT

Indicators	Unit of measure	Baseline	Base year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification	Comments
<b>IMPACT 1:</b> Lower transaction costs to obtain registration and identification services (RIS)										
Annual unit transaction cost of compliance with requirements for registration and renewal of the DNI.	Dollars <sup>1</sup>	9.37	2017	9.37	6.31	6.31	6.31	6.31	The indicator will be calculated with the methodology used in the SNIP <sup>2</sup> preinvestment study and with the user survey (see MEP).	This cost reduction is due to implementation of live capture (enrollment). Source: Staff calculations based on the SNIP preinvestment study. See Economic analysis.
Annual unit transaction cost of obtaining certified copy for internal migrants.	Dollars	54.29	2017	54.29	40.7	23.7	5.16	5.16	The indicator will be calculated with the methodology used in the SNIP preinvestment study and with the user survey (see MEP).	Internal migrants are 20% of the population. If their certificate is not digitized, they must travel to their municipio to obtain it. Digitization of certificates eliminates the need for travel. Source: Staff calculations based on the SNIP preinvestment study. See Economic analysis

<sup>1</sup> Figures are in nominal values. Exchange rate: 1 dollar = 3.5 soles.

<sup>2</sup> The SNIP was replaced by INVIERTE.PE by Legislative Decree 1252 of 1 December 2016. Source: [Ministry of Finance](#).

# EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline	Base year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification <sup>3</sup>	Comments
<b>OUTCOME 1:</b> Improved quality of registry and identification services										
R1.1: Registry certificates with errors.	%	5.46	2017	5.46	5.20	4.80	4.41	4.41	RENIEC administrative records.	Errors will be detected as part of the process of digitizing and correcting certificates. Of 63 million certificates originally on paper, 14 million have been digitized, revealing an error rate of 7%. This error rate is assumed to hold for digitization of the 14 million certificates under this project. <sup>4</sup>
R1.2: Certified copies of registry certificates requested via the Web.	Number	0	2017	0	0	0	255,000	255,000	RENIEC administrative records and user survey (see MEP).	Source: SNIP preinvestment study, p. 1254 (682 in pdf version).

<sup>3</sup> The status of the indicators will be reported every six months in the program status reports. Their preparation will be the responsibility of the PEU monitoring expert, as indicated in paragraph 2.5 of the MEP. This person will obtain the indicators that require consultation of RENIEC administrative records (databases).

<sup>4</sup> To calculate the baseline, it is assumed that 22% of certificates are digitized at the start of the project with an error rate of zero. For the remaining 78%, an error rate of 7% is assumed. To calculate the target, it is assumed that 21% of certificates are digitized with an error rate of 2% (on the assumption that a portion of the errors detected will be corrected after project completion). The remaining 57% will continue with an error rate of 7%.

Indicators	Unit of measure	Baseline	Base year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification <sup>3</sup>	Comments
<b>OUTCOME 2:</b> Improved access to registry and identification services for the citizens of the most remote communities										
R.2.1: DNIs issued <sup>5</sup> on basis of bilingual certificates.	%	0.16	2017	0.16	0.16	0.35	0.54	0.54	RENIEC administrative records.	Percentage of DNI issued on the basis of bilingual certificates as a proportion of total DNIs (assuming 5.6 million per year).
<b>OUTCOME 3:</b> Improved efficiency of RENIEC management										
R3.1: Annual cost of shipping DNI and registry certificates for processing.	Thousand dollars	674	2017	674	571	429	246	246	RENIEC administrative records.	This reduction in operating costs is due to the replacement of physical shipment by electronic transmission, made possible by the new information systems. Source: SNIP preinvestment study, pp. 1265 and 1268 (693 and 696 in the pdf version).

<sup>5</sup> As a portion of bilingual certificates are issued on paper in remote areas, they may have been issued but not reported to RENIEC. For this reason, it was decided to measure the issuance of certificates by the quantity of DNIs issued by RENIEC with a bilingual certificate as the underlying document. This variable is controlled by RENIEC.

## OUTPUTS

Outputs	Unit of measure	Baseline	Base year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification <sup>6</sup>	Comments
<b>Component 1: Adequate coverage of face-to-face services</b>										
P1.1: ORECs (district and provincial) with electronic registration certificate.	Number of ORECs	0	2017	0	286	0	0	286	Program status report	
P1.2: RENIEC service windows with electronic registration certificate.	Number of windows	1,200	2017	0	101	60	41	1,402	Program status report	
P1.3: Registry certificates digitized and revised.	Number of certificates	14 million	2017	0	5.2	4.8	4	28 million	Program status report	This digitization includes inventory and transfer of certificates
P1.4: RENIEC service windows implemented.	Number of windows	1,100	2017	10	14	7	0	1,131	Program status report	RENIEC service windows are those located in one of its 441 offices. Source: SNIP preinvestment study
P1.5: Offices air-conditioned.	Number of offices	0	2017	0	58	0	0	58	Program status report	Seven regional headquarters, 26 registry offices and 25 branch offices will be air-conditioned.
P1.6: Virtual multiservice platforms (VMP) installed	Number of VMPs	11	2017	0	15	9	5	40	Program status report	Considering RENIEC VMPs installed, totaling 11.
P1.7: Renovated platform for identity management and digital services.	Number of platforms	0	2017	0	1	0	0	1	Enrollment and certificates issued using electronic signature	
P1.8: Windows operating with live capture systems.	Number of windows	72	2017	0	360	158	93	683	Program status report	

<sup>6</sup> The status of the indicators will be reported every six months in the program status reports. Their preparation will be the responsibility of the PEU monitoring expert, as indicated in paragraph 2.5 of the MEP. This person will obtain the indicators that require consultation of RENIEC administrative records (databases).

Outputs	Unit of measure	Baseline	Base year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification <sup>6</sup>	Comments
P1.9: Centers for printing polycarbonate ID cards installed.	Number of centers	1	2017	0	2	2	1	6	Program status report	
P1.10: Public awareness campaigns dealing with new service modalities.	Number of campaigns	0	2017	0	1	0	0	1	Program status report	
P1.11: RENIEC service center employees trained in the improvements implemented by the project.	Number of employees	0	2017	0	577	328	226	1131	Course report and list of participants	
P1.12: Citizen service offices equipped with redesigned processes.	Number of offices	0	2017	0	433	0	0	433	Program status report	Includes RENIEC service locations, provincial ORECs, and district ORECs.
<b>Component 2: More services delivered to vulnerable populations</b>										
P2.1: ORECs in native communities with delegated services.	Number of ORECs	461	2017	0	144	144	124	873	Program status report	Of the 1,786 native communities, only 461 have registry services delegated by RENIEC.
P2.2: Itinerant units equipped.	Number of units	0	2017	0	16	0	0	16	Program status report	Includes computer and logistics equipment.
P2.3: ORECs in towns and native communities that have received technical assistance	Number of services	0	2017	0	700	750	750	2,200	Program status report	
P2.4: ORECs offering civil registry services in native language.	Number of ORECs	137	2017	0	500	0	0	637	Program status report	The project will expand the number of available languages from 5 to 11.



Outputs	Unit of measure	Baseline	Base year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification <sup>6</sup>	Comments
<b>Component 3: Adoption of technologies for service delivery</b>										
P3.1: Integrated Civil Registry and Identification System (SIRCI) implemented.	Number of systems	0	2017	0	0	0	1	1	DNIs and certificates issued via the new system	
P3.2: Management information system implemented.	Number of systems	0	2017	0	1	0	0	1	Management reports issued via the new system	
P3.3: Registry certificates available via the Interoperability Platform of the State (PIDE).	Millions of certificates	14	2017	0	5	5	4	28	PIDE intranet page	
P3.4: Basic hardware and software for the SIRCI installed and configured.	Number of equipment items	0	2017	0	0	1	0	1	SIRCI installed	
P3.5: Online services offered	Number of services	1	2017	0	0	0	2	3	Program status report	Currently, only DNI-related services are available online. Online civil registry services will be implemented.
P3.6: Employee awareness campaigns conducted.	Number of campaigns	0	2017	0	4	2	1	7	Program status report	

## **FIDUCIARY AGREEMENTS AND REQUIREMENTS**

**Country:** Republic of Peru

**Project number:** PE-L1171

**Name:** Improving Access to Quality Civil Registry and Identification Services at the National Level

**Executing agency:** National Identification and Civil Status Registry (RENIEC)

**Prepared by:** Allizon Milicich Nieto-Polo and Ariel Rodríguez/Gabriele del Monte (FMP/CPE)

### **I. EXECUTIVE SUMMARY**

- 1.1 The fiduciary assessment of RENIEC was conducted, its institutional capacity analysis reviewed, and meetings were held with key personnel of the entities and with the project team. There was found to be a risk of cost and time overruns in implementing the project due to still limited capacity for fiduciary management in accordance with Bank policies. The mitigation actions in the risk matrix were identified to mitigate this risk, which was rated as “medium.”

### **II. FIDUCIARY CONTEXT OF THE COUNTRY**

- 2.1 The country's financial administration systems are effective and reliable. The country procurement subsystems for electronic reverse auction and electronic catalogues for framework agreements under Peru's public procurement system are being used, as approved by document GN-2538-11.

### **III. FIDUCIARY CONTEXT OF THE EXECUTION UNIT AND THE EXECUTING AGENCY FOR ADMINISTRATION OF PROJECT BENEFICIARIES**

- 3.1 The executing agency (EA) will be the National Identification and Civil Status Registry (RENIEC), acting through a project execution unit (PEU), which will be created by executive resolution of RENIEC and report directly to the Office of the General Manager of RENIEC, which in turn will provide overall direction during execution.
- 3.2 The RENIEC's current organizational structure is insufficient to handle execution of the new operation, and its knowledge of the Bank's fiduciary policies and procedures is still rudimentary, as this is the first loan operation to be executed. Consequently, there is a need for: (i) personnel to be hired for the PEU with qualifications that include a minimum of experience in projects financed by international lenders; and (ii) the Bank to provide fiduciary advisory support to the personnel hired.
- 3.3 The PEU will be the project management unit with administrative and financial autonomy and responsibility for the functions of economic and financial

administration, coordination of technical matters, and project planning, execution, monitoring, and evaluation. The PEU will conduct its activities in close coordination with the technical units of RENIEC.

- 3.4 RENIEC uses the Electronic Government Procurement and Contracting System to register the procurement plan for the dissemination of procurement processes.
- 3.5 RENIEC uses the Integrated Financial Administration System (SIAF) as the financial management operations system. However, its staff lack experience in use of the SIAF projects module for generating project financial reports. The RENIEC's 2015 audited financial statements received a clean audit opinion.

#### **IV. FIDUCIARY RISK ASSESSMENT AND MITIGATION ACTIONS**

- 4.1 The risk assessment conducted during the program design stage identified a fiduciary risk of cost and time overruns in implementing the project due to still limited capacity for fiduciary management in accordance with Bank policies. To mitigate this risk, which was rated as "medium," mitigation actions were identified with respect to key personnel of the PEU, the Project Operating Manual, and training, assistance, and advisory support in the fiduciary area for the PEU.

#### **V. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT**

- 5.1 **In addition to the special contractual condition stated in the Project Summary, as special contractual conditions precedent to the first disbursement, the executing agency will provide evidence, to the Bank's satisfaction, that the executing agency has created the PEU and engaged its key personnel, in accordance with the qualifications and requirements agreed upon with the Bank, comprising, at a minimum, a general coordinator, a chief of administration, a financial specialist, a planning and budgeting specialist, an accounting specialist, and a procurement specialist.** The special contractual conditions mentioned will mitigate the fiduciary risks identified in paragraph 4.1.
- 5.2 The EA/PEU will deliver the annual and final audited financial statements for the project, with specific terms of reference acceptable to the Bank, within 120 days after the close of each fiscal year of the EA/PEU during the original disbursement period or as extended. The final audit report will be delivered within 120 days after the end of the original disbursement period or as extended.
- 5.3 For determining the equivalence of an eligible expenditure incurred in local currency of the borrower's country and the currency in which the disbursements are made (i.e., the currency of approval) for purposes of accountability and justification of expenditures, the effective exchange rate on the date of conversion of the currency of approval or the currency of disbursement into the local currency of the borrowing country will be used (Article 4.10.b.i of the General Conditions of the Loan Contract). For purposes of determining the equivalence of expenditures incurred in local currency chargeable to the local contribution, or the reimbursement of expenditures chargeable to the loan, the agreed exchange rate will be the rate prevailing on the last business day of the month preceding the month in which the borrower, executing agency, or any other person or corporation authorized to incur expenditures makes the respective payments to the contractor, supplier, or beneficiary.

## VI. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 6.1 **Procurement execution.** Procurement will be conducted in accordance with the Policies for the Procurement of Works and Goods Financed by the IDB (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9). Procurement and contracting by public entities financed by this project must be conducted in accordance with those policies.
- 6.2 **Procurement of works, goods and nonconsulting services.** Contracts for works, goods and nonconsulting services<sup>1</sup> arising under the project and subject to international competitive bidding will be executed using the Bank's standard bidding documents. Solicitations subject to national competitive bidding will be conducted using country bidding documents agreed upon with the Bank (or satisfactory to the Bank, if not yet agreed upon). The Project Team Leader is responsible for reviewing the technical specifications.
- 6.3 **Selection and contracting of consultants.** Regardless of the contract amount, consulting service contracts arising under the project will be executed using the standard request for proposals issued by the Bank or agreed upon with the Bank, (or satisfactory to the Bank, if not yet agreed upon). The Project Team Leader is responsible for reviewing the terms of reference.
- 6.4 **Selection of individual consultants.** Selection of individual consultants will take into account the consultant's qualifications to perform the work, based on a comparison of at least three candidates. When the circumstances so warrant, notices may be published in the local or international press. The threshold amount for the use of international competitive bidding will be posted for the borrower's information through the executing agency on the website [www.iadb.org/procurement](http://www.iadb.org/procurement). Below this threshold, the selection method will be determined on the basis of the complexity and characteristics of the procurement, which will be reflected in the procurement plan approved by the Bank.
- 6.5 **Ex ante review of procurements.** The Bank will review the selection and procurement processes as set forth in the procurement plan. The Bank may modify the review modality for these processes at any time during project execution with advance notice to the borrower or the executing agency. Any changes approved by the Bank will be reflected in the procurement plan.
- 6.6 **Domestic preference.** With regard to the use of the international competitive bidding method, the Bank and the borrower agree that the provisions of Appendix 2 of the Procurement Policies on margin of domestic preference in the comparison of bids for the procurement of goods may apply to goods manufactured within the country of the borrower, as indicated in the respective bidding document.
- 6.7 **Use of country procurement system.** In view of Board approval their use in Peru, the subsystems for electronic reverse auction and electronic catalogues for framework agreements will be used upon implementation of the measures described in the Agreement for Partial Use of the Country Procurement System of the Republic

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<sup>1</sup> Under IDB procurement policies, nonconsulting services are treated as goods.

of Peru, and the conditions described in it, and once the procurement plan has been amended accordingly.

- 6.8 **Initial Procurement Plan.** See the detailed [procurement plan](#) for the first 18 months. The executing agency will publish the procurement plan in the Procurement Plan Execution System (SEPA) and update it at least every six months, or as the Bank may require, to reflect the project's real execution needs and the progress achieved.
- 6.9 **Procurement supervision.** The Bank's ex post reviews will cover a sample of contracts based on technical and professional criteria and will be performed by external auditors or consultants. Once the use of the country procurement system has been implemented, these arrangements may be updated on the basis of the fiduciary risks.<sup>2</sup>
- 6.10 **Records and files.** Files are to be kept at the offices of the executing unit under conditions that ensure the integrity and security of the documents.
- 6.11 **Recognition of expenditures.** The Bank may recognize up to US\$1.4 million (4.6% of the estimated amount of the local contribution), as a charge against the local contribution, for eligible expenditures incurred by the borrower prior to the date of loan approval, provided that requirements substantially similar to those established of the loan contract have been met. Such expenditures will allow the executing agency to continue with program activities that have already started, such as those relating to establishment of the PEU, the digitization and revision of registry certificates, and the studies to define the technical specifications of the equipment to be acquired for the project, among other consulting services. These expenditures must have been incurred on or after 14 February 2017 (approval date of the program profile) but in no case will they include expenditures incurred more than 18 months prior to the date of loan approval.

## VII. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

- 7.1 **Programming and budget.** The viability of the expenditures related to project activities will be examined in the context of the rules issued by the Ministry of Economy and Finance (MEF). The National Public Investment System has now been replaced by the National Multiyear Programming and Investment Management System (Invierte.pe) for purposes of speeding approval of investment projects and giving greater flexibility to their execution at the three levels of government. Preparation of the annual program and budget will be as directed by the General Directorate of Public Budgeting of the MEF.
- 7.2 The RENIEC budget consists of two sources of financing: (i) ordinary resources supplied by the MEF and intended to partially finance a specific program, and (ii) resources collected directly, i.e. RENIEC's own revenue from the sale of its services or products, controlled by the MEF with adjustments to previously agreed biennial targets. The project calls for the local contribution to be financed via these resources collected directly by RENIEC. In the context of the loan contract, the ordinary resources may cover any eventual shortfall in the local contribution, and it

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<sup>2</sup> Once the reverse auction and framework agreement subsystems have been put into use as part of the strategy for the use of Peru's country system, executed procurement processes will be systematically monitored and supervised by tracking and verifying the stability of the country system.

- will be up to RENIEC to report and take the necessary steps with MEF to this effect, with the Bank's knowledge.
- 7.3 The Multiyear Execution Plan for the project will be prepared, and the annual budget based on it, taking into account the project disbursement schedule. The budget allocated to the project will be approved by the MEF and the Peruvian Congress, and reported annually to the Bank. The budget will be handled under the SIAF.
- 7.4 **Accounting and information systems.** The SIAF Project Execution Module (MEP) will be used for project accounting and reporting, as it offers transparency and specific controls over budgetary execution. The module can be used to issue financial reports, including disbursement requests, exchange rate controls, project financial statements, and other reports required by the Bank. Accounts will be prepared on a cash basis and will follow international accounting standards and the directives issued by the National Public Accounting Office.
- 7.5 **Disbursements and cash flow.** The project will use the country's treasury system, following the directives issued by the National Borrowing and Treasury Office. Expenditures are subject to the budget and financial execution process, and data on their formalization under the rules applicable to each stage (commitment, obligation, warrant, and disbursement) will be reported in the SIAF Project Execution Module. The PEU will maintain a specific bank account in U.S. dollars, and another in soles (monetization), for management of the loan proceeds.
- 7.6 Disbursements will be based on the project's actual liquidity needs (financial planning). The PEU will submit disbursement requests to the Bank, together with a work plan that reflects the disbursement schedule for the entire project for the next 180 days. Supporting documentation for disbursements will be provided for at least 80% of total cumulative balances pending justification, using the Bank formats.
- 7.7 The records and documents supporting activities and transactions will be subject to ex post review by the external auditors. All documents and records will be kept for a period of at least three years from the date of the last disbursement. Any Bank-ineligible expenditures will be repaid from the local contribution.
- 7.8 **Internal control and internal audit.** The control environment, control activities, communication and information, and monitoring of the activities of the executing agency/ PEU will be governed by the country's laws and regulations, which are based on the Law on the National Control System and the Office of the Comptroller General of the Republic (CGR).
- 7.9 The Audit, Control and Risk Office of RENIEC is responsible for the institution's internal control. It will receive a copy of the external audit reports via the Government Audit System designed by the CGR, which it can use to perform inspections.
- 7.10 **External control and reports.** The CGR, as apex agency of the National Control System, outsources external audits of projects to Bank-eligible independent audit firms. The independent audit firms are evaluated periodically by the Bank. The CGR authorizes the executing agency/PEU to select and engage an audit firm in accordance with Bank policies for the entire project execution period, including extensions to the final disbursement period. Selection of a Tier I or II audit firm will be required.

- 7.11 The project financial statements include: statement of cash flows, statement of cumulative investments, notes to the financial statements, and project management report (executing agency/PEU). The audit report will include an evaluation of the internal control system. The cost of the external audits will be covered out of the loan proceeds, and is estimated at US\$280,000 over the planned four years of loan execution.
- 7.12 **Financial supervision plan.** Financial supervision may be adjusted in light of project execution and the external audit reports.

**Table 1. Supervision plan**

Activities	Nature/Scope	Frequency
Financial	Portfolio review with the executing agency and MEF	Twice per year
	Financial audit and delivery of financial statements	Annual and final
	Review of disbursement requests and attached reports	Four or five per year
	Inspection visit/Review of project progress/Analysis of control environment at the executing agency	Annual

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/17

Peru. Loan \_\_\_\_/OC-PE to the Republic of Peru  
Improving Access to Quality Civil Registry and  
Identification Services at the National Level

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Peru, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a program for improving access to quality civil registry and identification services at the national level. Such financing will be for the amount of up to US\$50,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_\_)

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