

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PERU

**PROJECT TO IMPROVE AND EXPAND SUPPORT SERVICES FOR NATIONAL
SERVICE DELIVERY TO CITIZENS AND ENTERPRISES**

(PE-L1222)

LOAN PROPOSAL

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ABBREVIATIONS

CoG	Center of government
CRM	Customer Relationship Management
GDP	Gross domestic product
IRR	Internal rate of return
MAC	Modelo de Atención Ciudadana [Citizen service model]
OCGIS	Oficina de Cumplimiento de Gobierno e Innovación Sectorial [Government Compliance and Sector Innovation Office]
OECD	Organization for Economic Cooperation and Development
ONGEI	Oficina Nacional de Gobierno Electrónico [National e-Government Office]
PCM	Presidencia del Consejo de Ministros [Office of the President of the Council of Ministers]
PEU	Project execution unit
PIDE	Plataforma de Interoperabilidad del Estado [State Interoperability Platform]
RENIEC	Registro Nacional de Identificación y Estado Civil [National Registry of Identification and Vital Records]
RIA	Regulatory impact analysis
SD	Secretaría de Descentralización [Decentralization Secretariat]
SDT	Secretaría de Demarcación Territorial [Territorial Boundaries Secretariat]
SeGDi	Secretaría de Gobierno Digital [Digital Government Secretariat]
SGP	Secretaría de Gestión Pública [Public Management Secretariat]

PROJECT SUMMARY

PERU

PROJECT TO IMPROVE AND EXPAND SUPPORT SERVICES FOR NATIONAL SERVICE DELIVERY TO CITIZENS AND ENTERPRISES (PE-L1222)

Financial Terms and Conditions				
Borrower: Republic of Peru			Flexible Financing Facility ^(a)	
			Amortization period:	13 years
Executing agency: Office of the President of the Council of Ministers (PCM)			Disbursement period:	5 years
			Grace period:	12 years ^(b)
Source	Amount (US\$)	%	Interest rate:	LIBOR-based
IDB (OC):	50,000,000	82.06	Credit fee:	^(c)
			Inspection and supervision fee:	^(c)
Local:	10,927,984	17.94	Original weighted-average life:	12.5 years ^(d)
			Currency of approval:	U.S. dollars
Total:	60,927,984	100		
Project at a glance				
Project objective/description: The project's overall objective is to improve and expand support services for service delivery to citizens and enterprises while reducing transaction costs. This will help increase citizens' satisfaction and improve the business climate. The specific objectives are: (i) simplification, standardization, and regulatory improvement; (ii) improvement and expansion of interoperability capacity in government agencies; (iii) better management of services for citizens and enterprises; and (iv) better conditions for the planning and coordination of services.				
Special contractual conditions precedent to the first loan disbursement: As a special contractual condition precedent to the first disbursement, the PCM will submit evidence, to the Bank's satisfaction that: (i) the project execution unit (PEU) has been created and its key staff hired in accordance with the profiles and requirements agreed upon with the Bank, comprising, at a minimum, the PEU coordinator, an administrative coordinator, a planning and budget specialist, an accounting specialist, and a procurement specialist; and (ii) the Project Operating Manual has entered into force under the terms and conditions previously agreed upon with the Bank (see paragraph 3.8).				
Exceptions to Bank policies: None.				
Strategic alignment				
Challenges: ^(e)		SI <input type="checkbox"/>	PI <input type="checkbox"/>	EI <input type="checkbox"/>
Crosscutting issues: ^(f)		GD <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/>	IC <input checked="" type="checkbox"/>

^(a) Under 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.

^(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

^(c) The credit fee and 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.

^(d) The weighted average life is estimated at 12.5 years, assuming a contract signature date in December 2017. The weighted average life will be confirmed on the contract signature date.

^(e) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(f) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, rationale

- 1.1 Despite the socioeconomic progress achieved in Peru over the last 20 years, public sector modernization today poses a challenge for the competitiveness of its economy and the well-being of its citizens. At the enterprise level, according to the World Economic Forum (2016-2017), inefficient government bureaucracy is the most problematic factor for doing business in Peru.¹ In 2015, Peru ranked below the regional average in the World Bank's Government Effectiveness Index, and well behind countries of the Organization for Economic Cooperation and Development (OECD), which it hopes to join before 2021.²
- 1.2 Satisfaction with public services is low at all levels. According to a 2013 survey, only 51% of citizens were satisfied or very satisfied with services nationally.³ The main problems identified were: (i) the slowness of bureaucratic procedures; (ii) lack of responsiveness by civil servants; (iii) insufficient information available; and (iv) excessive requirements. Moreover, only 8% of Peruvian citizens reported using the internet to complete procedures.⁴ These data are consistent with the perception of public management reported by the Regional Competitiveness Index (Incore 2017), in which just 32.8% of the adult population nationwide considers public management to be good or very good; with 14 of the country's 24 regions reporting even lower percentages.⁵
- 1.3 **Problem and causes.** The main problem that the project has identified and will help solve, are the high transaction costs, in terms of time and resources, that are imposed on users (both citizens and enterprises) when accessing transactional public services. This is true both nationally and at the regional and local levels, and it results in low levels of user satisfaction with the services provided by the State, and a business environment that impairs the country's competitiveness. This problem is partly explained by four factors: (i) complex administrative procedures; (ii) major lag in technology; (iii) deficient face-to-face services provided to citizens and enterprises; and (iv) limited institutional capacity to plan, coordinate, and horizontally and vertically supervise the implementation of service delivery policies.

¹ Source: [World Economic Forum \(2016-2017\)](#). Peru ranked 106th out of 138 in the "Institutions" pillar; and 19% of those interviewed stated that the inefficiency of government bureaucracy was the main obstacle to doing business in the country; followed by restrictive labor policies and corruption.

² Peru was in the 44th percentile, below other Latin American and Caribbean countries that are already OECD members, such as Chile (83rd percentile) and Mexico (62nd percentile), and also Colombia (52nd percentile) which is going through similar process to that of Peru with the OECD. It is also below the averages for Latin American and Caribbean (53rd percentile) and the OECD (88th). Source: [World Bank Governance Indicators \(2015\)](#). The indicator captures perceptions of the quality of public services, the civil service, and the quality of policy formulation and implementation, through surveys of citizens, enterprises, and experts.

³ Source: Ciudadanos al Día. "[Atención al Ciudadano en Ministerios 2013](#)" [Citizens up to date. Service to citizens in Ministries 2013].

⁴ Source: Latinobarómetro 2015. The average in Latin America was 10% and in Uruguay it was 22%. Although the Internet coverage rate in Uruguay (62%) is higher than that of Peru (40%), this gap (1.5 times more in Uruguay) is much smaller than that of internet use for government bureaucracy (almost 3 times more in Uruguay).

⁵ Source: Instituto Peruano de Economía. "[Índice de Competitividad Regional](#)" [Regional competitiveness index], 2017. In regions such as Ica, Tumbes, and Huánuco, the proportions drop to 20.1%, 20.8%, and 25.5% respectively.

- 1.4 **Complex administrative procedures.** The coexistence of nearly 600,000 current rules⁶ that sometimes duplicate or overlap, while others are not implemented due to a lack of regulation or insufficient resources, fosters arbitrary enforcement and provides opportunities for corruption, while also raising transaction costs for citizens and enterprises. This excessive number and heterogeneity of norms, which is replicated at the subnational level, partly explains why Peru ranks 134th out of 138 countries in the “Burden of government regulation” indicator of the World Economic Forum’s 2016-2017 Global Competitiveness Index.
- 1.5 **Major lags in technology.** Low levels of digitization of documents⁷ and administrative processes;⁸ very weak interoperability between public institutions; and information management that uses obsolete technologies that do not allow processing in an orderly and controlled manner, or enable the provision of remote services,⁹ have generated higher internal government costs, and higher transaction costs on citizens and enterprises in their dealings with the State. This is largely explained by two factors: (i) the State Interoperability Platform (PIDE), created in 2011¹⁰ as a technological platform for the implementation of public services through electronic media and electronic data exchange between government entities, has insufficient capacity in terms of both processing and the cybersecurity framework needed to handle the volume of transactions required under new regulations;¹¹ and (ii) the National e-Government Office (ONGEI), which, until early 2017 when the Digital Government Secretariat (SeGDi) was created, lacked institutional leadership and the technical, human, and financial resources needed to fully function, including the supervision of digital government projects throughout the public sector.¹² Consequently, Peru has seen its United Nations e-government index ranking fall steadily from 53rd in 2004 to 81st in 2016.¹³
- 1.6 **Deficient service provided to citizens and enterprises.** Face-to-face transactional services are mainly supplied in a piecemeal way, through a multitude of service points managed by the 92 entities of the executive and judicial branches, and Autonomous Constitutional Organizations that provide these services. This increases their operating costs, impedes access to services, and hinders the adoption of management tools to guarantee their quality. Service quality also differs between Lima and elsewhere; for example, there are four Citizen Service Model

⁶ Office of the Comptroller General of the Republic. “[Estudio Mejora regulatoria y simplificación de procedimientos administrativos que afectan la inversión](#)” [Study for regulatory improvement and simplification of administrative procedures affecting investment], 2016.

⁷ Only one in five Peruvians has a digital birth certificate. Source: National Registry of Identification and Vital Records.

⁸ A survey conducted by the Peruvian government of 45 government entities in 2015 found that only 141 of the 2,032 transactional services offered by these entities were available online (6.9%).

⁹ See Nemeth, H. and F. Castro, Inter-American Development Bank (IDB) and SeGDi, “Diagnóstico y estrategia de la PIDE” [PIDE diagnosis and strategy], 2017.

¹⁰ Supreme Decree 083-2011-PCM.

¹¹ The obligation for the entities to operate through the PIDE, initiated by [Legislative Decree 1246](#), will mean going from 6 million annual transactions to 55 million. See Nemeth and Castro (2017).

¹² Source: OECD, Peru: *Public Governance Review*, 2016. In March 2017, SeGDi replaced the ONGEI as the governing body, with broader attributions and a higher hierarchical rank, through [Supreme Decree 022-2017-PCM](#) restructuring the PCM, in addition to being reinforced by a larger number of professional staff.

¹³ Source: United Nations, [e-government development index](#), 2016.

(MAC) centers in the capital but only one in the rest of the country (Piura). These large public service centers propagate a vision of the State at the service of citizens, by offering multiple public services in a single easily accessible place, with extended opening hours from Monday to Sunday and on public holidays; and they aim to reduce waiting and service times and save travel time and costs.¹⁴ Although the MACs have been very well received,¹⁵ they are not part of a unified multichannel strategy (they do not have a single window facility and are not connected to each other or to the telephone and web channels). Although there is a political commitment to expand the MACs to a total of 24 by 2021, there is no expansion strategy, and there are few mechanisms for managing their quality. At the same time, digital services are very limited; although there are many institutional websites in different formats that usually offer information about procedures in the institution in question, the vast majority of these do not enable online transactions, or offer a unified range of services to citizens.

- 1.7 **Limited institutional capacity to plan and horizontally and vertically coordinate the implementation of service delivery policies.** The implementation of many public policies aimed at delivering services to citizens requires actions at different levels of government, owing to the need for participation both by different sectors of the executive branch, and between them and regional and municipal governments. The delegation of service production functions to different levels of government is a result of the decentralization process, which in the past 15 years has transferred functions and resources to subnational governments under the principle of subsidiarity. These reforms face major challenges in the planning and coordination of functions for the adequate delivery of services to citizens,¹⁶ including:
- (a) incomplete information that uses different nomenclature on the characteristics of the territories, thereby making it impossible to set service delivery standards according to population size and local characteristics;¹⁷
 - (b) insufficient information on the services available in the territory, which makes it impossible to ascertain the distribution, type, quality, and frequency of existing services and their support infrastructure in each territory, or to identify service deficits;¹⁸ and

¹⁴ It takes Peruvians an average of one hour and 45 minutes to complete a bureaucratic procedure in a public entity (Diagnóstico del Perfil de Proyecto para Invierte.pe [Project profile diagnosis for Invierte.pe], currently ongoing, scheduled to conclude on 15 September 2017).

¹⁵ The MAC Centers increased from 9,495 face-to-face services in 2010 to 3,130,471 in 2016. During this period, citizens saved an estimated 158.4 million soles (equivalent to US\$48 million) as a result of quicker service times and reduced transportation costs. Their satisfaction level in 2016 was 86%. Source: SGP. For further information see: Prialé, M. (2017), Project Profile: "Mejoramiento y ampliación de los servicios de soporte para la gestión de los servicios a ciudadanos y empresas a nivel nacional" [Improvement and expansion of support services for the management of services provided to citizens and enterprises nationwide].

¹⁶ OECD. Territorial Reviews: Peru. 2016. pp. 7, 14.

¹⁷ OECD (2016). pp. 2, 3, 5.

¹⁸ Peru was one of the countries of Latin America and the Caribbean to score lowest in the strategic vision of territorial planning category, according to the [Institutional Profiles Database \(2016\)](#), Directorate General of the Treasury, Government of France. Peru had a score of 1 point out of a possible 4. The average for Latin America and the Caribbean excluding Peru (18 countries) was 2.1.

- (c) weak center of government (CoG) mechanisms¹⁹ for horizontal and vertical coordination to improve the production of the different inputs needed for service delivery. In mid-2016 Peru displayed one of the lowest levels of interagency coordination in the world according to a global survey on institutions, with a score of almost one third of the regional average for Latin America and the Caribbean and OECD countries.²⁰
- 1.8 The various institutions responsible for providing support services for transactional service delivery at all levels of government have insufficient capacity to ensure cohesive government action. A recent OECD report on Peru confirms the need to strengthen planning and coordination functions from the CoG, with tools to produce and collect reliable data on the characteristics of the territory; and to strengthen the capacity of subnational governments to implement policies and provide services by setting up regional development agencies, and measures to organize the creation of new territorial entities and to prevent conflicts that can arise from coordination and planning problems.²¹ In Peru this coordination is very weak.²²
- 1.9 **Rationale.** Aware of this problem, which was recognized in the Government Plan 2016-2021,²³ and for which it sets forth a “Proposal for a country governed with efficiency, professionalism, and transparency,” to include the strengthening of executive coordination, simplification of procedures, and technological improvements to enhance the service provided to citizens, the Peruvian government has introduced major legal reforms to that end. [Legislative Decree 1246](#) “Approving various administrative simplification measures” was published in November 2016, mandating interoperability between government agencies, to supply or give cost-free access to the information or databases managed by each agency for the processing of administrative procedures and internal management acts, for the benefit of citizens. [Legislative Decree 1310](#) “Approving additional administrative simplification measures” was published in December 2016, requiring that “all regulatory provisions” that establish administrative procedures should undergo a “Regulatory Quality Analysis”; and all provisions that are not explicitly ratified after such an analysis will be automatically repealed within three years. For provisions in force when the Legislative Decree was published, the deadline will be 31 December 2018. Lastly, in February 2017, [Supreme Decree 022-2017-Office of the President of the Council of Ministers \(PCM\)](#), was published, approving the Regulation on the Organization and Functions of the PCM, with a view to enhancing its capacity to

¹⁹ CoG institutions directly support the chief executive (president or prime minister), but they do not provide services directly or target a specific area of public policy. Rather they carry out coordination, monitoring, and crosscutting functions for the entire government (Source: Alessandro, M., M. Lafuente, and C. Santiso, *Gobernar para Cumplir con los Ciudadanos* [Governing on behalf of Citizens], IDB, Washington, D.C.).

²⁰ Source: General Directorate of the Treasury, Government of France. [Institutional Profiles Database \(2016\)](#). Peru had a score of 1 point out of a possible 4. The average for Latin America and the Caribbean excluding Peru (18 countries) was 2.9.

²¹ OECD (2016).

²² OECD. *Multi-dimensional Review of Peru. Volume 1 Initial Assessment*. 2015. p. 170.

²³ The Plan recognizes the persistence of problems that obstruct the modernization of the State, and highlights the following among the most urgent: lack of leadership, coordination, and monitoring of priority government policies; administrative complexity that bureaucratizes processes, generates overlaps, cumbersome procedures, and excess charges to the citizen, in addition to fomenting corruption; and disorderly implementation of decentralization. See <https://www.presidencia.gob.pe/plan-de-gobierno>.

coordinate national policies and establish greater territorial coordination. It is within this context of reforms that the Peruvian government has requested support from the Bank through the proposal presented in this document.

- 1.10 The analysis described above, and the actions taken by the government, provide a major opportunity to help improve the business climate and increase citizen satisfaction with the services provided by the Peruvian State, acting on the four causal factors analyzed. This analysis and the proposed intervention strategy are consistent with recent studies and projects implemented by the Bank, and also with international good practices and lessons learned, as reported in the literature and compiled by the OECD.
- 1.11 First, the administrative simplification programs have contributed to a significant reduction in the regulatory costs imposed on citizens and entrepreneurs. Between 2007 and 2009, the European Union implemented a wide-ranging program that reduced administrative costs by an amount estimated as equivalent to 0.95% of gross domestic product (GDP). In Mexico, the Federal Regulatory Improvement Commission estimated that its simplification strategy had freed up economic resources on the order of 1.2% of GDP in 2012.²⁴
- 1.12 Second, recent empirical studies show that digital government contributes to greater satisfaction among users of public services.²⁵ In addition, the bureaucratic modernization leveraged through digital solutions has the potential to lower costs for citizens, enterprises, and government. A study of the United Kingdom public sector conducted by the Society for Information Technology Management (2012) estimates that a face-to-face transaction with a citizen costs the government US\$13.84, whereas the same interaction by phone costs US\$4.54 and over the Internet just US\$0.24.²⁶ In Spain, the government informed Congress in early 2014 that 74% of the 465 million transactions that Spanish citizens perform annually with the central government were initiated electronically, generating savings of US\$3,125 million to citizens and businesses and US\$78 million to the government in 2013 alone. Every 1% increase in the use of online services produces savings estimated at US\$340 million for citizens and businesses and US\$40 million for the government.²⁷
- 1.13 Third, with respect to improvements in service quality management, the Chile-Atiende (Chile serves) multiservice and multichannel program reported savings for citizens of 2.2 million hours of work not lost and 4.2 million journeys not made, as a result of the improvements made to the face-to-face channel (offering multiple services in the same physical space and expanding service access), and to the telephone and Internet channels (reducing the number of in-person visits), which represented a reduction in transaction costs of over US\$18 million for citizens

²⁴ See: IDB. "[Gobiernos que Sirven](#)" [Governments that serve], 2016.

²⁵ See: IDB. "[Simplifying lives](#)", 2016, and American Customer Satisfaction Index, "[Federal Government Report](#)," 2016.

²⁶ Accenture, "[Digital Government](#)," 2014.

²⁷ [Grado de avance de la implantación de la administración electrónica en la Administración General del Estado](#) [Degree of progress of the implementation of e-governance in General State Administration]. Ministry of Finance and Public Administration. June 2013. pp. 5 and 87. Original figures in Euros. Exchange rate US\$1 = €0.88.

between March 2012 and March 2014.²⁸ Earlier successful models which are still in effect include the Citizen Service of the State of Bahia in Brazil (which registered a user satisfaction rate of 93.9% in 2005) and the Public Service markets in Bogotá, Colombia (93% satisfaction in 2007).

- 1.14 Lastly, in terms of the implementation of multisector and territorial policies, the literature²⁹ recognizes, on the one hand, the fundamental facilitating and coordinating role played by CoG institutions such as the PCM for the fulfillment of priority government policies. OECD countries have been strengthening the CoG over the last 15 years by sharpening the focus on collaboration between public institutions and an integrated delivery of services among all institutions responsible for their production.³⁰ Several scholars argue that this confirms the hypothesis of organizational theory that specialization and differentiation of functions increases the need for coordination.³¹ By coordinating and acting as a broker of solutions, convening relevant ministries and agencies for policy decision-making and ongoing monitoring, it has been a crucial factor in the achievement of key objectives for citizens in other countries. In Pernambuco (Brazil), the strengthening of the CoG has helped reduce the homicide rate by 27% and deaths from preventable causes by 8%, and cut high-school dropout to become the best-performing Brazilian state in this regard.³² In Chile, this model helped reduce the victimization rate by 28% between 2010 and 2013, among other achievements.³³
- 1.15 **The Bank's experience in the country and sector.** The Bank has been closely involved in strengthening the institutional capacity of Peruvian public administration over the last several years, targeting its financial support toward strategic areas in which it has been able to add value through its knowledge and technical capacity. This support has been reflected in loans for the modernization and decentralization of the State (1437/OC-PE); improvement of the national oversight system (1591/OC-PE and 2969/OC-PE, the latter in execution); modernization of the national justice system (2534/OC-PE, in execution); improvement of the public sector payroll information service (2991/OC-PE, in execution); modernization of the public financial administration system (SIAF) (2445/OC-PE, in execution); and reduction of transaction costs for vital records and identity services (4297/OC-PE, in the eligibility process). The Bank has also provided technical cooperation grants to improve access to vital records and identification services for vulnerable population groups in Huancaavelica (ATN/OC-12005-PE) and Cajamarca (ATN/CR-15223-PE, in execution); the quality of crime statistics (ATN/OC-14631-PE, in execution); the allocation of budgetary resources in the Municipio of Trujillo (ATN/OC-13361-PE);

²⁸ Area of Studies. Modernization and Digital Government Unit. Ministerial Secretariat of the Office of the President, [Estimación de ahorros ciudadanos de la red Chile-Atiende](#) [Estimation of citizen savings arising from the Chile-Atiende network], 2014.

²⁹ IDB, ["The Role of the Center of Government: A Literature Review,"](#) 2013.

³⁰ Bouckaert, B., G. Peters, and K. Verhoest. "The Coordination of Public Sector Organizations - Shifting patterns of public management". Palgrave Macmillan - Public Sector Organizations. London, 2010.

³¹ Bouckaert et al. (2010).

³² Source: Xavier (2015), Seminar presentation "Americas Delivery Leaders," Washington, D.C.

³³ Source: Dumas, Lafuente, and Parrado (2013), [El fortalecimiento del Centro de Gobierno para Resultados en Chile](#), [Strengthening the CoG for Results in Chile], IDB, Washington, D.C.

and the implementation of results-based management (ATN/OC-11682-PE and ATN/OC-11202-PE).

- 1.16 At the regional level, the Bank has a solid experience in supporting processes to modernize public services and procedures, digital government, and the strengthening of CoG institutions, both bilaterally, through lending and technical cooperation operations, and through regional initiatives and knowledge products.³⁴ These operations include: Program to Support E-Government Management in Uruguay I and II, and the Program for Improvement of Public Services and State-Citizen Interaction (1970/OC-UR, 2591/OC-UR, and 3625/OC-UR); the Program to Improve Public Service Quality in Ecuador (3073/OC-EC); the Citizen Service Efficiency Project in Colombia (3154/OC-CO); the Public Management and Citizen Services Improvement Program in Chile (3298/OC-CH); the Panama Online Program (3683/OC PN); and regional technical cooperation projects and support for countries to strengthen center of government institutions (ATN/FI-13793-RG and ATN/OC-15629-RG) and Public Innovation Laboratories in Uruguay “Open Government Innovation Lab” (ATN/AA-15240-UR) and “Support for Innovation in Open Government” (ATN/OC-15775-RG).
- 1.17 **Lessons learned.** This operation draws on lessons learned from the State Modernization and Decentralization Program (1437/OC-PE) (see project completion report) summarized as follows: (i) in interventions involving various entities, a detailed institutional analysis needs to be undertaken and the execution arrangements should include coordination functions linked to a ranking official with a hierarchical status at least equal to those involved in execution; (ii) in projects of this type, the execution and disbursement periods should take the project's complexity into account; (iii) the country's public investment system should be involved in project preparation; and (iv) the monitoring and evaluation arrangements needs to be operating before the start of the project or shortly thereafter.
- 1.18 **Strategic alignment.** The project is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and is aligned with the crosscutting areas of: (i) Institutional Capacity and the Rule of Law through support for the government effectiveness index; (ii) Climate Change and Environmental Sustainability through the outcome indicators in the Results Matrix referring to the average annual reduction in transaction costs to obtain public services, based on its contribution to improving the greenhouse gas emission indicators: approximately 2.9% of the operation's funds are invested in climate change mitigation activities, according to the [Joint Report on Multilateral Development Banks' Climate Finance](#). These resources contribute to the IDB Group's target of increasing funding for climate-related projects to 30% of all operation approvals by end-2020;³⁵ and (iii) Gender Equality and Diversity, through the output indicator in the Results Matrix for innovation projects that develop proposals to improve citizen services, considering gender criteria in the formulation of at least one of these. The latter is consistent with

³⁴ These include: IDB “[Simplificando Vidas](#)” [Simplifying Lives], 2016. IDB “[Gobiernos que sirven](#) [Governments that serve], 2016, and IDB “[Gobernar para Cumplir con los Ciudadanos: El Rol del Centro de Gobierno en América Latina y el Caribe](#) [Governing on behalf of Citizens: the Role of the Center of Government in Latin America and the Caribbean], 2014.

³⁵ The reduction of transaction costs for citizens and enterprises related to the delivery of public services is partially based on a reduction in the number of journeys, which will contribute to a reduction in transportation-related greenhouse gas emissions.

the Gender and Diversity Sector Framework Document (document GN-2800-3); especially with regard to Dimension 4: Low income women have access to quality public services. In addition, the project will contribute to the 2016-2019 Corporate Results Framework (CRF) (document GN-2727-6), through government agencies benefiting from projects that strengthen technology and management tools to improve public service delivery. It is also aligned with the Sector Strategy on Institutions for Growth and Social Welfare (document GN-2587-2). Lastly, the operation is aligned with the strategic objective of improving public management, as defined in the IDB Group Country Strategy with Peru (2017-2021) (document GN-2889). The operation is included in the 2017 Operational Program Report (document GN-2884).

B. Objectives, components, and cost

- 1.19 The project's overall objective is to improve and expand support services for service delivery to citizens and enterprises, while reducing transaction costs. This will help increase citizens' satisfaction and improve the business climate. The specific objectives are: (i) simplification, standardization, and regulatory improvement; (ii) improvement and expansion of interoperability capacity in government agencies; (iii) better management of services for citizens and enterprises; and (iv) better conditions for the planning and coordination of services. To that end, this operation is structured in four components as described below.
- 1.20 **Component 1. Simplification, standardization, and regulatory improvement (US\$8.5 million).** This component aims to improve regulatory quality and simplify and standardize administrative procedures at the national and subnational levels to benefit citizens and enterprises. To this end, financing will be provided for activities in the following lines of action: (i) enhanced capacity for the regulatory improvement of procedures and rules, including improving the application of the Regulatory Impact Analysis (RIA) for rules and the Regulatory Quality Analysis (RQA) for administrative procedures; (ii) standardization of administrative procedures at the subnational level, including the application of the standard cost methodology; and (iii) review and updating of the Unified Procedures System,³⁶ as a national registry of exclusive processes and services, interconnected with the PIDE and with the RQA application.
- 1.21 **Component 2. Improvement and expansion of interoperability capacity in government agencies (US\$14.5 million).** This component aims to promote effective interoperability between government databases with a view to improving and expanding digital service offerings to citizens and enterprises. To this end, financing will be provided for activities in the following lines of action: (i) improvement and expansion of technical interoperability capacities by strengthening the PIDE, together with the upgrading of equipment and software; (ii) expansion of organizational interoperability capabilities of the PIDE, development of management tools, integration of complex services,³⁷ and methodologies for their standardization; (iii) integration of citizens' databases through implementation of the Citizen's

³⁶ Computer tool designed for the preparation, simplification, and standardization of the Single Text of Administrative Procedures, which is the official repository of administrative procedures and services provided exclusively by government entities. For further information see [Diagnóstico del Perfil de Proyecto para invierte.pe](#) [invierte.pe project profile diagnosis].

³⁷ These include the Online Clinical History and the Documentary Procedures System.

Portfolio,³⁸ the integration of information from the citizen service channels, and the creation of the national master registry; (iv) digitization of the priority institutional documentation, including its organization, description, and preselection, and improvement of the file management system; and (v) improvement of information security by means of the implementation of the cybersecurity center and improvements in cybersecurity regulations and standards.

- 1.22 **Component 3. Better management of services for citizens and enterprises (US\$24.4 million).** This component will improve management in public services. To this end, financing will be provided for activities in the following lines of action: (i) implementation of the strategy to improve the quality of citizen service, which includes the design and implementation of quality management mechanisms for services, definition of public service standards, and the design of an incentive program; (ii) improvement of the MACs and expansion of their coverage, based on: (a) demand measurement studies that report on the need, location, and offering of procedures³⁹ for each new MAC; (b) development of management tools for MACs; (c) the physical habilitation⁴⁰ and equipping of flagship MACs; and (d) the design and implementation of a central monitoring model for MACs; (iii) improvement of service through government portals, including the improvement of their technological infrastructure, and for the gob.pe portal, technical assistance for the digitization of prioritized services; (iv) the development of capabilities for innovation to improve public management;⁴¹ and (v) improvement of the internal management processes for citizen services.
- 1.23 **Component 4. Better conditions for the planning and coordination of public services (US\$8.7 million).** This component's activities will strengthen planning and coordination functions of support services and for the planning of public services, by means of improved multisector and intergovernmental coordination, enhanced conflict management capabilities, and the availability of better tools for territorial management. To this end, financing will be provided for activities in the following lines of action: (i) in the area of multisector and intergovernmental coordination, activities will be financed to (a) properly manage compliance for the government's

³⁸ Mechanism whereby every citizen will have access to an individual repository with their official documents, household services, and online notifications.

³⁹ In September 2017 the MACs were providing procedures for people including: registration, issuance, and duplicates of the national identity card and birth certificate, issuance of passport, criminal and police records, legalization of documents issued abroad, registration for EsSalud health insurance and issuance of driving records. Business formalities included only the establishment of a business. The project expects to expand the offering of procedures available on the basis of demand studies to be carried out.

⁴⁰ The term "habilitation" means the fitting out and equipping of existing spaces. The MACs to be financed under the project are expected to be in the following cities: Iquitos, Juliaca, Tarapoto, Huánuco, Ayacucho, Cerro de Pasco, Puerto Maldonado, Moquegua, Bagua Grande, Abancay; and Huancavelica. The selection criteria used were: strategic location; higher poverty level of the department to which the city belongs; less large-scale commercial investment; fewer opportunities to finance works with taxes; and attractive cities because of their linkages.

⁴¹ A citizen-centered innovation handbook will be produced for this purpose; technical assistance will be provided to public entities to develop innovation projects, one of which will be focused on improving pro-gender services; open innovation contests will be organized; and the experience of citizen-centered innovation will be systemized.

priority policies;⁴² (b) improvement of coordination mechanisms for multisector policies;⁴³ and (c) organizational design, typologies, and evaluation tools for regional development agencies; (ii) the development and use of conflict management tools⁴⁴ will be financed to improve conflict management capacity, with the aim of preventing conflicts from impacting service delivery; and lastly, (iii) the component will finance improvements in territorial management to facilitate planning decisions, as follows: (a) improvement and expansion of the National Spatial Data Infrastructure⁴⁵ and protocols for exchanging standardized spatial data; and (b) the updating of Territorial Registers for planning purposes.⁴⁶

- 1.24 **Complementarity and synergies with other projects in Peru to improve government interoperability.** This project's activities will be coordinated with the project Improving Access to Quality Civil Registry and Identification Services at the National Level (4297/OC-PE), and with programs currently in preparation for the digitization of justice administration processes (PE-L1230) and public investment strengthening (PE-L1231), among others. Among the expected synergies, the PIDE will provide the technological infrastructure needed to ensure interoperability between different public institutions (e.g. so that the National Registry of Identification and Vital Records (RENIEC) can share identity data securely with all other government bodies). This project will also provide cybersecurity improvements that will benefit the entire Peruvian public sector. SeGDi is already leading digital identity and Citizen's Portfolio working groups (among other mechanisms), with RENIEC involvement; and coordination efforts will continue to be strengthened in all areas of digital government with SeGDi consolidating its role as lead agency.

C. Key results indicators

- 1.25 The Results Matrix (Annex II) will be used to measure the impact and outcomes of interventions to be financed by the project. These outcomes will be monitored and evaluated in agreement with the borrower. Two indicators will be used to measure impact: (i) the level of perception that the inefficiency of government bureaucracy is the main impediment to doing business, which the project is expected to help reduce; and (ii) the increase in the level of user satisfaction with transactional public services in parts of Peru outside the capital. The expected outcomes are lower transaction costs for public institutions as a result of improved information exchange; and for citizens and enterprises, related to the provision of face-to-face and virtual public

⁴² Also known as the delivery management model, it consists of "a low-profile unit mandated to use the authority of the Prime Minister and the Council of Ministers to develop routines that focus on improving outcomes measured in terms of their impact on citizens, in a limited number of priority areas; overcoming obstacles when monitoring shows that progress is not proceeding as planned (helping ministries to overcome compliance challenges); and building capacity and a better understanding in the ministries, strengthening the different actors and their systems and processes." Source: Shostak (2017), "International Lessons from the Implementation of Delivery Units," presentation at the Sixth Annual Meeting of Governors of Caribbean Countries, IDB.

⁴³ In accordance with the analysis and proposals included in the OECD governance study (2016).

⁴⁴ Including an information system (control board), protocols, and standards.

⁴⁵ This includes the [GeoIDEP 2.0](http://www.geoidep20.org) platform, a portal containing spatial data on Peru; and the "Sayhuite" platform which provides georeferenced information on Peruvian territory. For further information, see: <http://www.sayhuite.gob.pe/sayhuite/sayhuite.php>.

⁴⁶ This should include, at a minimum, information on population centers and referential political-administrative boundaries.

services. Although there has been a positive trend in performance indicators over the last few years, the project will help accelerate this trend. The reduction in transaction costs for citizens is partly based on fewer journeys, which in turn will contribute to a reduction in transportation-based greenhouse gas emissions.

- 1.26 **Beneficiaries.** The main beneficiaries of the project's outcomes will be Peruvian citizens and enterprises. Public institutions will also benefit from timely and less costly information and better coordination with subnational governments.
- 1.27 **Economic analysis.** The project's economic analysis consisted of a cost-benefit analysis of the project's components (see [report](#) and [spreadsheet](#)). The main quantifiable benefits come from savings arising from the improvement of face-to-face services (MACs), by eliminating a journey and reducing the time needed to perform a procedure, and savings in time for public officials and in terms of printing costs as a result of the introduction of the PIDE, merely by eliminating the request for a copy of the national identification document (DNI). The evaluation concludes that the project generates net gains even without considering all possible benefit sources: the net present value of the project in the base case scenario is US\$19,691,512, and the Internal Rate of Return (IRR) is 26.32% (above the 12% required by the Bank). All assumptions were made as conservatively as possible; and sensitivity analyses pared the assumptions to substantially lower values (e.g. less demand for bureaucracy, smaller savings in journey and waiting times); nonetheless, an IRR of over 12% is consistently obtained.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This specific investment project will have a total cost of US\$60.9 million. It will be financed by an investment loan of US\$50 million (82.10%) drawn from the Bank's Ordinary Capital (OC) and by a local cash contribution of approximately US\$10.9 million (17.9%) (see Table 1). The disbursement period will be five years (see Table 2).

Table 1. Estimated project costs (US\$ million)

Component	IDB	Local contribution	Total
Component 1. Simplification, standardization, and regulatory improvement	7.0	1.5	8.5
Component 2. Improvement and extension of interoperability capacity in government agencies	12.0	2.5	14.5
Component 3. Better management of services for citizens and enterprises	20.2	4.2	24.4
Component 4. Better conditions for the planning and coordination of public services	7.2	1.5	8.7
Project management	3.6	1.3	4.9
Total	50.0	10.9	60.9

Table 2. Annual IDB disbursement flow (US\$)

Year 1	Year 2	Year 3	Year 4	Year 5	Total
13,438,383	14,124,659	11,807,828	8,291,668	2,337,463	50,000,000
26.9%	28.2%	23.6%	16.6%	4.7%	100%

B. Environmental and social risks

- 2.2 No negative environmental or social impacts associated with the project are anticipated. In accordance with the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703), this is classified as a category "C" operation.

C. Fiduciary Risks

- 2.3 Two fiduciary risks were identified in the risk workshop, using the Bank's project risk management methodology: one rated high and the other medium. The high risk refers to the fact that the PCM line entities may not have sufficient technical capacity for high-volume and complex procurement and contracting. In view of this, the project's procurement plan provides for the contracting of consultants with specialized technical knowledge in each complex contracting process, under the corresponding component, especially in the technological aspects. The medium risk relates to delay in the execution of fiduciary processes owing to the PCM's lack of recent experience as an execution unit. To this end, in addition to the due fiduciary supervision to be performed by the Bank, a project execution unit (PEU) will be set up with the necessary qualified fiduciary staff; and the Bank will provide training to PEU staff and other PCM actors involved in project execution. The Project Operating Manual will also be approved (see Annex III).

D. Other project risks

- 2.4 The workshop also identified three public management and governance risks—two of them rated low, and one medium, which refers to the failure by entities involved to prioritize project activities. This risk will be mitigated using the government's coordination and accountability mechanisms, such as the Vice Ministerial Coordination Council and the Ministerial Coordination Council. In addition, existing intersectoral working groups will be used, such as the Citizen's Portfolio group coordinated by SeGDi, along with others to be created for specific activities.
- 2.5 **Sustainability.** The project was designed for a high degree of intervention in, and ownership of, the PCM institutional apparatus, which enhances project sustainability. Each of the components includes activities to improve the management and initiatives of PCM units with direct responsibility, such as the Public Management Secretariat (SGP); SeGDi; the Decentralization Secretariat (SD), the Oficina de Cumplimiento de Gobierno e Innovación Sectorial [Government Compliance and Sector Innovation Office] (OCGIS);⁴⁷ the Territorial Boundaries Secretariat (SDT), and the Conflict Prevention Secretariat attached to the Vice Ministry of Territorial Governance. This will ensure that the capabilities generated by

⁴⁷ Although the Office has only recently been set up, the resources of ATN/OC-16100-PE (Institutional Strengthening of PCM), ATN/OC-15629-RG (Strengthening the Center of Government in Latin America and the Caribbean II) and ATN/OC-15775-RG (Support for Innovation in Open Government) have been financing technical assistance since its inception.

the project and the lessons learned are absorbed by the PCM. In addition, the nature of the project's deliverables, for the direct benefit of citizens and firms, will contribute to political and institutional support, given the reduction in transaction costs for both parties and its potential impact in terms of the expected improvement in satisfaction.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 The PCM, a Peruvian government agency, will serve as executing agency. It is the ministry responsible for coordinating national government policies (horizontal coordination), and also for coordinating vertically with regional and local governments. It is also responsible for modernizing State management, promoting innovation in the public sector, and monitoring compliance with government priorities, among other issues. To this end, its senior management is organized in a Vice Ministerial Office for Territorial Governance and a General Secretariat.
- 3.2 The General Secretariat handles issues relating to the modernization of public and State management, digital government, interministerial coordination of government at the national level; as well as executive branch communication and press briefings and management of the PCM. The General Secretariat has the following dependencies: (i) the SGP, which is in charge of proposing, coordinating, implementing, and evaluating the national Public Management Modernization policy, which includes administrative simplification and regulatory improvement, process-based management, quality, and citizen service;⁴⁸ (ii) SeGDi, which is responsible for formulating and proposing national and sector-level policies, national plans, standards, guidelines, and strategies in the fields of information technology and e-government; (iii) the Coordination Secretariat, which coordinates dealings between the executive and other branches of government; and (iv) the Administrative Secretariat, which assists the General Secretariat in administration of the PCM.
- 3.3 The Office of the Vice Minister for Territorial Governance has responsibility for formulating, coordinating, executing, and supervising policies on territorial development, decentralization, social dialogue and consensus-building, and territorial demarcation. To this end, it is organized into the SD, SDT, and a social management and dialogue unit. Executive meetings with regional governments (known as *GOREs ejecutivos*) and municipal governments (*muni ejecutivos*), which are regularly organized by the PCM through the Vice Ministry, will be crucial for the coordination of project activities with subnational governments.
- 3.4 In addition, the PCM has the OCGIS, directly linked to the Office of the President of the Council of Ministers, to provide support in the coordination, articulation, monitoring, and evaluation of government priorities and promotion of innovation in the public sector.⁴⁹

⁴⁸ To fulfill its functions, the SGP has an Undersecretariat for Public Administration, an Undersecretariat for Simplification and Regulatory Analysis, and an Undersecretariat for Quality of Citizen Service.

⁴⁹ For further information, see the Political Constitution of Peru - 1993; Law 29158, Law Governing the Executive Branch; and [Supreme Decree 022-2017-PCM](#), which approves the Regulation on the Organization and Functions of the PCM.

- 3.5 **Execution mechanism.** The project will be executed through a PEU attached to the Administrative Secretariat, under the PCM's General Secretariat, with functions and responsibilities to be defined according to project requirements. The PEU will act in close coordination with the PCM secretariats and offices involved in the project. The PCM has executing agency experience in the implementation of loans financed by international organizations, including the Bank.⁵⁰ The main activities, with an emphasis on those including technology procurement, will include technical assistance resources for the SeGDi for the planning, contracting, and quality control of the outputs to be financed, to provide technical strengthening to the secretariat.
- 3.6 The PEU will serve as the project's management body with administrative and financial autonomy; and it will be responsible for management functions (specifically related to the areas of budget, programming, accounting, treasury, and particularly procurement, applying Bank rules and procedures), and also for economic and financial issues, the coordination of technical considerations, and the planning, execution, monitoring, and evaluation of the project. The PEU will also report to the PCM's Social Communication Secretariat on project milestones as they are attained, to raise their visibility with citizens.
- 3.7 The details of implementation, including coordination and the specific responsibilities of all entities involved in project execution, will be described in the [Operating Manual](#).
- 3.8 **Special contractual conditions precedent to the first loan disbursement.** To strengthen the operational capacity of the PCM to implement project activities on a timely basis, particularly considering the fiduciary risks noted above, **the executing agency will provide evidence that: (i) the PEU has been created and its key staff contracted, in accordance with the profiles and requirements agreed upon with the Bank, comprising, at a minimum, the PEU coordinator, an administrative coordinator, a planning and budget specialist, an accounting specialist, and a procurement specialist; and (ii) the Operating Manual has taken effect under the terms and conditions previously agreed upon with the Bank.**
- 3.9 **Procurement of works, goods, and services.** Procurement under this loan will be governed by the Policies for the procurement of works, goods, and nonconsulting services financed by the Inter-American Development Bank (document GN-2349-9) and the Policies for the selection and contracting of consultants financed by the Inter-American Development Bank (document GN-2350-9). Should the Bank validate any country system or subsystem, the borrower or executing agency, as the case may be, may use such systems or subsystems to execute procurement and contracting processes financed in whole or in part with the loan proceeds, pursuant to the terms of the Bank's validation, the applicable legislation and processes validated, and according to the agreements to be signed in the loan contract.
- 3.10 **Fiduciary agreements and requirements.** The fiduciary agreements and requirements set forth the financial management and planning framework as well as the supervision and execution framework for procurement applicable to project execution. The loan proceeds may be disbursed under the following modalities:

⁵⁰ State Modernization and Decentralization Program (1437/OC-PE) and Peru - Indigenous and Afro-Peruvian Peoples Development Project, World Bank (4536-PE).

advance of funds, reimbursement of expenses, and direct payment to suppliers. In the case of advances of funds, disbursements will be based on expense projections for up to 180 days. The minimum percentage required to replenish advances of funds will be 80%. The executing agency will submit annual and final audited financial statements for the project, under the terms and timeframes required by the Bank in its policies. To this end, the PEU will select and contract an independent audit firm, acceptable to the Bank, for the duration of the project.

B. Summary of arrangements for monitoring results

- 3.11 As part of its tasks, the PEU will: (i) monitor and evaluate the project; (ii) oversee project management; (iii) implement outputs; and (iv) report on progress toward the expected outcomes using the following documents: (i) Results Matrix; (ii) project multiyear execution plan, annual work plan, and procurement plan; (iii) progress monitoring report and extended progress monitoring report; (iv) semiannual progress reports; (v) audited financial statements; and (vi) project completion report. For this purpose, the PEU will be supported by a monitoring and evaluation specialist.
- 3.12 Two evaluations will be conducted, midterm and final, under terms of reference agreed upon with the Bank. The midterm evaluation will take place when at least 40% of resources have been disbursed, or when 30 months have elapsed since the loan contract took effect (whichever occurs first). The final evaluation will take place when 90% of resources have been disbursed. These evaluations are the key milestones of the monitoring system. The reports in question will include: (i) the results of physical-financial execution; (ii) the degree to which the targets of the results matrix have been achieved; (iii) a summary of the results of the audits conducted and implementation of the improvement plans; and (iv) a summary of the main lessons learned. The midterm evaluation will take special account of recommendations that contribute to achieving an adequate level of execution in the event of difficulties. The final evaluation will include an economic evaluation of the project, using a methodology consistent with the ex ante evaluation performed during the design stage. This has been described in detail in the project's economic analysis [report](#) and [spreadsheet](#), and is included in the [monitoring and evaluation plan](#).

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	-Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)	
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	8.4	
3.1 Program Diagnosis	3.0	
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	6.6	
5.1 Monitoring Mechanisms	2.0	
5.2 Evaluation Plan	4.6	
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. Procurement: Information System, Price Comparison.
Non-Fiduciary	Yes	Strategic Planning National System, Statistics National System.
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	Yes	Technical Cooperation ATN/OC-16100-PE was approved to support the institutional strengthening of PCM during project design and the beginning of the implementation of the most urgent and important activities.
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.

Citizen satisfaction with public services is low in Peru. This low level of satisfaction is due to slow procedures, weak responsiveness, limited information, and excessive formal requirements. The low quality translates (identified problem) into high transaction costs with the Public Sector for users (citizens and companies). This problem can be attributed, in part, to four causes: (i) administrative procedural complexity; (ii) technological backwardness; (iii) deficient attention to citizens and companies by live channels; and (iv) limited institutional capacity to plan, coordinate and monitor the implementation of policies related to the delivery of services. The Project Document clearly identifies the main causes of the problem and presents abundant empirical evidence of its main determinants.

The proposed intervention is clearly connected to the problems presented in the diagnosis. The objective of the Project is to reduce public service provision transactional costs by improving: regulatory quality and simplifying the administration, the interoperability of digital services provided by the State, service delivery to citizens and companies, and the conditions for public services planning and coordination. The document presents a significant body of evidence of the effects of administrative simplification, the digitization of services, the improvement of service quality and the implementation of intersectoral policies.

The vertical logic of the Project is clear. The improvement of the business environment in Peru and of user satisfaction (Impacts), derives from a reduction in service provision transaction costs (internal and user interphases) and greater availability of online services. These results will be possible through the attainment of the expected products.

A cost-benefit analysis of the components of the Project was prepared. The assumptions are clearly presented, and the benefits fall into two categories: those that reduce transaction costs and those that result from improvements in the efficiency of the regulatory framework, bureaucratic burden, and in general, by increasing the ease with which government entities interact with each other and how the public and the firms use public services. The resulting IRR is above 12%. The Monitoring and Evaluation Plan is complete. An ex post Cost-Benefit analysis is proposed.

RESULTS MATRIX

Project objective:	The project's overall objective is to improve and expand support services for service delivery to citizens and enterprises while reducing transaction costs. This will help increase citizens' satisfaction and improve the business climate. The specific objectives are: (i) simplification, standardization, and regulatory improvement; (ii) improvement and expansion of interoperability capacity in government agencies; (iii) better management of services for citizens and enterprises; and (iv) better conditions for the planning and coordination of services.
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EXPECTED IMPACTS

Indicators	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target Year 5	Means of verification	Comments
IMPACT 1. Improved business environment in Peru										
Level of perception that the inefficiency of government bureaucracy is the main impediment to doing business ¹	%	19.0	2016-2017	18.5	18.0	17.0	16.0	16.0	Global Competitiveness Report - World Economic Forum	
IMPACT 2. Greater satisfaction among users of transactional public services provided by the Peruvian State										
Higher level of satisfaction with public transactional services among users outside the metropolitan Lima area ²	Percentage points	0	2017	0	2	4	4	10	Nationally representative survey of user satisfaction (Public Management Secretariat SGP)	

¹ The indicator reflects replies to the question: "What is the most problematic factor for doing business in the country?" From a list of 16 factors, respondents select five factors, ranking them from 1 (most problematic) to 5. Respondents are executives of each country. Source: World Economic Forum. Peru's previous evolution in this indicator has been: 17.5% (2012-2013); 19.6% (2013-2014); 21.8% (2014-2015); 18.7% (2015-2016); and 19% (2016-2017).

² The level of satisfaction registered outside the Metropolitan Lima area in 2017 was 67%. Source: SGP - Nationally representative survey of satisfaction conducted by IPSOS (March-May 2017), covering 5,017 respondents.

EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target Year 5	Means of verification	Comments
OUTCOME 1: Lower transaction costs for the delivery of services among public institutions ³										
Daily number of transactions between central government bodies to exchange data for service delivery (State Interoperability Platform (PIDE))	Number of transactions	16,667	2016	16,800	21,840	30,576	42,800	55,648	Digital Government Secretariat (SeGDi) with statistics on PIDE use. ⁴	
OUTCOME 2: Lower transaction costs for the provision of face-to-face public services to citizens and enterprises										
Annual average reduction in transaction costs entailed in obtaining public services on a face-to-face basis following the introduction of the new Citizen Service Model (MACs)	Millions of Soles (2016)	0	2017	0	3.9	20.3	29.5	34.9 ⁵	Source: SGP (Baseline). Administrative records and CPI of the Central Bank of the Republic of Peru Methodological study of previous MACs	The reduction stems partly from fewer journeys, which will help reduce transport-based greenhouse gas emissions.
OUTCOME 3: Lower transaction costs for the provision of online public services to citizens and enterprises ⁶										
Subindex on development of the provision of improved online services	Scale of 0 to 1	0.6304	2016	0.63		0.65		0.70	Source: UN egov survey ⁷ ; online services subindex	Measured every two years

³ This increase in the number of intragovernmental information exchange transactions will avoid additional procedures by citizens and enterprises, leading to a reduction of their transaction costs.

⁴ The daily average number of PIDE transactions totaled 2,361 in 2014 (including 12 public entities), 8,889 in 2015 (42 entities) and 16,667 in 2016 (82 entities).

⁵ This target is based on narrowing the gap described in the project's economic analysis.

⁶ The expansion of the offering of online transactional services on the gob.pe portal will reduce transaction costs for citizens, enterprises and the state, by reducing times, travel, and printing costs (see Accenture, "[Digital Government](#)," 2014). For example, in the United Kingdom in 2012 the average cost of a face-to-face procedure was US\$13.84, the same procedure completed by telephone cost US\$4.54, and online it cost US\$0.24). Moreover, recent empirical studies show that digital services contribute to better satisfaction among users of public services. (See: IDB, "[Simplificando Vidas](#)" [Simplifying lives], 2016, and American Customer Satisfaction Index (ACSI) "[Federal Government Report](#)," 2016).

⁷ The report presents the state of development of e-government in United Nations Member States; including the development status of the provision of online services. The methodology evaluates the government web portal and the websites of the Ministries of Education, Labor, Social Services, Health, Finance, Environment, and others. On a scale from 0 to 1, Peru displayed virtually no progress between 2014 and 2016, reporting scores of 0.6299 and 0.6304, respectively.

OUTPUTS MATRIX

Outputs	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target ⁸	Means of verification	Comments
Component 1. Simplification, standardization, and regulatory improvement											
1. Government sectors that implement regulatory quality analysis and simplification of procedures to reduce administrative burdens	Number of sectors	0	2017	6	-	-	-	-	6	Semiannual Program Execution Unit (PEU) progress report	
2. Executive branch procedures analyzed and simplified	Number of procedures	0	2017	20	30	20	15	15	100		
3. Government entities that apply the ex ante regulatory impact analysis (RIA) methodology	Number of entities	0	2017	5	10	20	20	25	80		
4. Ex post RIA evaluations in sectors linked to economic and productive activities	Number of evaluations	0	2017	-	-	2	3	3	8		
5. Distance training platform in regulatory improvement implemented	Number of platforms	0	2017	-	-	1	-	-	1	Semiannual PEU progress report	
6. Administrative procedures for subnational bureaucracy standardized	Number of procedures	0	2017	-	50	50	50	50	200		
7. Subnational governments that receive technical assistance to apply the standard cost methodology (measurement and monitoring)	Number of subnational governments	0	2017	10	20	30	20	9	89		
8. Unified Procedures System revised and updated	Number of systems	0	2017	-	1	-	-	-	1		

⁸ The final target considers only what is achieved with program resources (does not include the baseline).

Outputs	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target ⁸	Means of verification	Comments
Component 2. Improvement and expansion of interoperability capacity in government agencies											
1. Government Interoperability Platform (PIDE) strengthened	Number of platforms	0	2017	-	1	-	-	-	1	Semiannual PEU progress report	
2. “Complex” services integrated into the interoperability platform (PIDE)	Number of complex services	2	2017	-	4	4	4	4	16	Certificates of implementation of each service	Interoperability with at least three entities is required.
3. Citizen Portfolio ⁹ Solution developed and working	Number of technological solutions	0	2017	-	-	1	-	-	1	Citizen Portfolio Database with real citizen data	
4. Integrated channel for citizen service developed and implemented	Number of integrated channels	0	2017	-	-	1	-	-	1	Database with real data on interaction with citizens	Phone, mobile, and web channels
5. Cybersecurity center operating	Number of centers	0	2017	-	1	-	-	-	1	Semiannual PEU progress report	
6. Documents (regulations, official papers, etc.) organized and digitized	Millions of documents	0	2017	0	4	4	4	3	15		
Component 3. Better management of services for citizens and enterprises											
1. Citizen Service Quality Strategy implemented	Number of strategies	0	2017	-	-	-	-	1	1	Semiannual PEU progress report	Includes: life events, business paths, quality studies, development and index of the quality of citizen services, service standards, incentive program
2. Set of MAC demand, supply, and location studies	Number of sets of studies	0	2017	8	8	6	-	-	22	Semiannual PEU progress report	Each set of studies includes demand, supply, and location
3. MAC management toolkit implemented	Number of toolkits	0	2017	1	-	-	-	-	1		Organization, competencies, positioning strategies

⁹ Mechanism whereby every citizen will have access to an individual repository with their official documents, household services, and online notifications.

Outputs	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target ⁸	Means of verification	Comments
4. New flagship MAC Centers fitted out and functioning	Number of MACs	0	2017	-	2	4	4	1	11		11 cities outside the metropolitan Lima area ¹⁰
5. MACs management and monitoring model designed and implemented	Number of management models	0	2017	-	-	1	-	-	1		Includes model, IT platform, and training
6. Public entities that receive technical assistance for digitization of services and their inclusion in gob.pe portal	Number of entities	0	2017	3	3	3	3	-	12	Directory of procedures and services available on the portal	Will include 24 services
7. Innovation projects that develop proposals to improve citizen services	Number of projects	0	2017	1	2	2	2	2	9	Semiannual PEU progress report	One of the projects will fulfill the Pro-Género criteria
8. Proposal for internal management improvements in public entities prepared	Number of proposals	0	2017	-	1	-	-	-	1		
Component 4. Better conditions for the planning and coordination of public services											
1. National government entities implementing compliance management (delivery methodology)	Number of entities	0	2017	2	5	9	15	22	22	Semiannual PEU progress report	For the entity to be considered as such, it must have obtained a good rating in the Capacity Review Report.
2. Institutional model for multisector coordination designed and implemented in the Vice Ministerial Coordination Council	Number of models	0	2017	-	1	-	-	-	1		

¹⁰ Iquitos; Juliaca; Tarapoto; Huánuco; Ayacucho; Cerro de Pasco; Puerto Maldonado; Moquegua; Bagua Grande; Abancay; and Huancavelica.

Outputs	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target ⁸	Means of verification	Comments
3. Regional development agencies model prepared, including organizational aspects, typology, and evaluation methodology	Number of models	0	2017	-	1	-	-	-	1		
4. Information system for the prevention and management of conflict risk factors designed on the basis of international best practices and in operation	Number of Information Systems	0	2017	-	1	-	-	-	1	Semiannual PEU progress report	
5. Hardware and software to upgrade the National Spatial Data Infrastructure obtained and operating	Number of hardware and software elements functioning	0	2017	-	-	-	1	-	1		Includes servers and applications, among other items. ¹¹
6. Territorial planning registers for created in operation	Number of registers	0	2017	-	1	-	1	-	2		Register of population centers and political-administrative boundaries.

¹¹ For further detail, see [invierte.pe public investment study](#).

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country	Republic of Peru
Project number:	PE-L1222
Name:	Project to Improve and Expand Support Services for National Service Delivery to Citizens and Enterprises
Executing agency:	Office of the President of the Council of Ministers (PCM)
Fiduciary team:	Andres Suarez, Gabriele del Monte (FMP/CPE)

I. EXECUTIVE SUMMARY

- 1.1 The fiduciary situation and institutional capacity of the PCM were reviewed by means of consulting services engaged to prepare the Project Operating Manual and the Institutional Capacity Assessment System (ICAS), and through meetings with the entities' key staff and with the project team. Risks relating to insufficient capacity and experience of the project execution unit (PEU) were identified for: (i) fiduciary management of procurement under Bank policies; and (ii) the operation of different fiduciary processes. To mitigate these risks, which were rated high and medium, respectively, mitigation actions were identified in the risk matrix.

II. THE COUNTRY'S FIDUCIARY CAPACITY

- 2.1 The country's financial management systems are adequate and reliable. With regard to the national procurement system, the the electronic reverse auction and price list subsystems using framework agreements under the Peruvian public procurement system, approved under document GN-2538-11, are currently being used.

III. FIDUCIARY CONTEXT OF THE PEU AND OF THE ADMINISTRATIVE EXECUTING AGENCY FOR THE PROJECT BENEFICIARIES

- 3.1 The project will be executed by the PCM, through a PEU linked to the Administrative Secretariat, which is part of the General Secretariat. The PEU will serve as the project's management body with administrative and financial autonomy; and it will be responsible for management functions (specifically related to the areas of budget, programming, accounting, treasury, and particularly, procurement, applying Bank rules and procedures, along with national standards), and also for economic and financial issues, the coordination of technical considerations, and the planning, execution, monitoring, and evaluation of the project.
- 3.2 The PEU will act in close coordination with the line agencies involved in the project. The PCM has experience in executing loans financed by international organizations, including the IDB. The PEU's organizational structure will be formed of individual consultants, working full-time exclusively for the project.

- 3.3 The PEU will use the Electronic State Procurement System (SEACE) to register the Procurement Plan for the dissemination of procurement processes.
- 3.4 The PCM uses the Integrated Financial Management System (SIAF) as an operational financial management system for the accounting records of project operations. It will also be necessary to have fiduciary personnel qualified in financial management, and provide Bank training for such personnel and other PCM actors involved in project execution.

IV. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 4.1 The risk assessment exercise conducted at the program design stage identified two fiduciary risks. The first, rated high, refers to the fact that the PCM line agencies may not have sufficient technical capacity for high-volume and complex procurement and contracting. In view of this, the project's procurement plan envisages the contracting of consultants with specialized technical knowledge for each complex procurement process. The second, classified as medium-risk, involves delays in the execution of fiduciary processes due to the PCM's lack of recent experience as an execution unit. To this end, in addition to the fiduciary oversight to be performed by the Bank, the PEU is expected to have the necessary qualified fiduciary staff; and the Bank will provide training for that personnel and other PCM actors involved in project execution, and will approve the project's Operating Manual.

V. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

- 5.1 The PEU will submit audited financial statements for the project, both annual and final, under specific Terms of Reference (ToR) acceptable to the Bank, within 120 days following the end of the borrower's fiscal year, throughout the original disbursement period or extensions thereof. The final audit report will be submitted within 120 days following end of the original disbursement period or extensions thereof.
- 5.2 For accounting and expense justification purposes, an eligible expense incurred in the local currency of the borrower's country will be converted into the currency in which disbursements are made, or the currency of approval, using the effective exchange rate prevailing on the date of conversion from the currency of approval or disbursement to the local currency of the borrower country (Article 4.10(b)(i) of the General Conditions of the loan contract). To convert expenses incurred in local currency, either from the local contribution or to reimburse expenses from the loan, the exchange rate agreed upon will be the rate prevailing on the date on which the borrower, the executing agency, or some other individual or legal entity delegated authority to incur expenses, makes the respective payments to the contractor, supplier, or beneficiary.

VI. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 6.1 **Procurement execution.** Procurement will abide by the March 2011 Policies for the procurement of works and goods financed by the Inter-American Development Bank (document GN-2349-9) and the Policies for the selection and contracting of consultants financed by the Inter-American Development Bank (document GN-2350-9). Procurement and contracting by public entities financed by this project

will be executed in accordance with these policies. The threshold for the use of international competitive bidding (ICB), will be made available to the borrower, through the executing agency, at www.iadb.org/procurement. Below that threshold, the selection method will depend on the complexity and characteristics of the procurement or contracting, which should be reflected in the procurement plan approved by the Bank.

- 6.2 **Procurement of works, goods, and nonconsulting services.** Contracts for works, goods, and nonconsulting services¹ generated under the project and subject to ICB will be executed using the standard bidding documents issued by the Bank. Bidding processes subject to national competitive bidding (NCB) will use NCB documents agreed upon with the Bank (or satisfactory to the Bank if none have yet been agreed on). The project team leader will be responsible for reviewing the technical specifications.
- 6.3 **Selection and contracting of consultants.** Consulting service contracts arising under the project will be executed using the standard request for proposals issued by or agreed upon with the Bank, regardless of the contract amount (or satisfactory to the Bank if none have yet been agreed on). The project team leader will be responsible for reviewing the terms of reference.
- 6.4 **Selection of individual consultants.** Individual consultants will be selected in accordance with document GN-2350-9.
- 6.5 **Procurement review.** The Bank will review selection, contracting, and procurement processes, as specified in the procurement plan. At any time during project execution, the Bank may change the review modality for such processes, providing advance notice thereof to the borrower or executing agency. Changes approved by the Bank should be reflected in the procurement plan.
- 6.6 **National preference.** No margins of national preference will apply.
- 6.7 **Use of the country procurement system.** As the Board of Executive Directors has approved the use of subsystems for electronic reverse auction and electronic price list procedures under framework agreements in Peru, these subsystems will be used after completion of the actions described in the Agreement for the Partial Use of the National Procurement System of the Republic of Peru and of the conditions described therein, in addition to the resulting amendment of the procurement plan. Peru's National Public Procurement System may be used in operations financed by the Bank and executed by the agencies included in said system, when the Bank's Board of Executive Directors has approved it and its implementation, subject to any recommendations.
- 6.8 **Initial procurement plan.** See the itemized [procurement plan](#) for the first 18 months. The executing agency will publish the procurement plan in the SEPA, or in a system indicated by the Bank; and it will update it at least every six months or as required by the Bank to reflect current project execution needs and progress made.
- 6.9 **Procurement supervision.** The Bank's ex post evaluations will cover a sample of the contracts based on technical-professional criteria and will be performed by external auditors or consultants. Once the use of the national procurement system

¹ Under the Bank's procurement policies, nonconsulting services are treated as goods.

has been implemented, arrangements may be updated on the basis of fiduciary risks.²

- 6.10 **Records and files.** The files will be kept in the executing agency's offices under conditions that ensure the integrity and security of the documentation.
- 6.11 **Retroactive financing and recognition of expenditures.** According to communications received from the Ministry of Economy and Finance (MEF), the Bank understands that this modality will not be used.

VII. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

- 7.1 **Programming and budget.** Expenses related to project activities will have been assessed for viability within the framework of the regulations issued by the MEF. At present, the National Multiyear Programming and Investment Management System is in effect to streamline the approval of investment projects and make their execution more flexible at all three levels of government. The annual programming and budget will be prepared on the basis of guidelines issued by the MEF's General Public Budget Directorate.
- 7.2 The Multiyear Project Execution Plan will be prepared and used to formulate the annual budget, considering the project disbursement schedule. The budget allocated to the project will be approved by the MEF and the Congress of the Republic and reported annually to the Bank. The budget will be administered through the SIAF.
- 7.3 **Accounting and information systems.** The SIAF's Projects Execution Module will be used for project accounting and reporting, providing transparency and specific controls in budget execution. This module can issue financial reports, including disbursement requests, exchange rate control, audited financial statements for the project, and other reports as required by the Bank. Accounts will be maintained on a cash basis and meet international accounting standards, while also adhering to the directives of the National Public Accounting Directorate.
- 7.4 **Disbursements and cash flow.** The country's treasury system will be used following the directives issued by the National Debt and Treasury Department. Expenditures are subject to the budgetary and financial execution process, with data being recorded in MEP-SIAF as the expense is formally processed under the regulatory framework applicable to each of its stages: commitment, accrual, authorization, and payment. The PEU will maintain a specific bank account in United States dollars and another in soles (monetization) to manage the loan proceeds. The possibility of using the Single Treasury Account for loan programs is being analyzed with the MEF. Current coordination with this entity suggest that this option could be implemented in the short term.
- 7.5 Disbursements will be made according to the project's actual liquidity needs (financial planning). The PEU will submit the disbursement request to the Bank, together with a financial plan that will initially cover expenditure projections for up to 180 days. A new disbursement will only be made when at least 80% of the

² Once the reverse auction and framework agreement systems have been implemented in the operations, as part of the strategy for using the country system, all procurement undertaken will be systemically monitored and supervised by tracking and verifying the stability of the Peruvian national system.

- cumulative total of previous disbursements have been justified, using the Bank's forms.
- 7.6 The records and documentation supporting the activities and transactions undertaken will be subject to ex post review by the external auditors. All documents and records will be kept for at least three years from the date of the last disbursement. Expenses that are not eligible for the Bank will be reimbursed from the local contribution.
- 7.7 **Internal control and internal audit.** The control environment; oversight, communication, and information activities; and the monitoring of PEU activities are governed by the country's rules, which are based on the Law Governing the National Oversight System and the Comptroller General's Office (CGR).
- 7.8 The PCM's organizational structure includes the Institutional Control Agency, which performs internal and external control pursuant to the Law Governing the National Oversight System and the CGR. This office will receive a copy of the external audit reports through the Government Audit System, designed by the CGR, through which it can perform inspection actions.
- 7.9 **External control and reporting.** Given the role of the CGR (governing body of the National Oversight System) and its regulations, the external audit of projects is outsourced to independent audit firms eligible for the Bank. These firms are periodically evaluated by the Bank. The CGR authorizes the executing agency/PEU to select and contract the independent audit firm, pursuant to Bank policies, for the entire project execution period, including any extensions of the final disbursement period. Selection of a tier I or II independent audit firm will be required.
- 7.10 The project's audited financial statements include the following: cash flow statement, cumulative investment statement, notes to the financial statements, statement of PEU management. The audit report will include an assessment of the internal control system. External audits will be paid using the loan proceeds at an estimated cost of US\$280,000 for the expected loan execution period.
- 7.11 **Financial supervision plan.** This may be adjusted according to project execution and external audit reports.

Table 1. Supervision Plan

Activities	Nature/Scope	Frequency
Financial	Portfolio review with executing agency and the MEF	2 per year
	Financial audit and presentation of financial statements	Annual and final
	Review of disbursement requests and attached reports	4 per year
	Inspection visit/review of project progress/analysis of control environment in the PEU	Annual

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/___

Peru. Loan ____/OC-PE to the Republic of Peru
Project to Improve and Expand Support
Services for National Service Delivery
to Citizens and Enterprises

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 project to improve and expand support services for national service delivery to citizens and enterprises. 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 ____ _____)