

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**PERU**

**IMPROVEMENT OF FOREIGN TRADE FACILITATION SERVICES THROUGH THE  
SINGLE WINDOW (VUCE)  
STAGE TWO – SAN ISIDRO – LIMA – LIMA**

**(PE-L1159)**

**LOAN PROPOSAL**

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1.	<a href="#">Economic evaluation of the project</a>
2.	<a href="#">Single windows as a trade facilitation instrument</a>
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## ABBREVIATIONS

ADEX	Asociación de Exportadores del Perú [Association of Peruvian Exporters]
BCRP	Central Reserve Bank of Peru
CCL	Lima Chamber of Commerce
COMEX	Sociedad de Comercio Exterior del Perú [Peruvian Foreign Trade Association]
DIGEMID	Dirección General de Medicamentos, Insumos y Drogas [Bureau of Medicines, Medical Supplies, and Drugs]
DIGESA	Dirección General de Salud Ambiental [Bureau of Environmental Health]
ITP	Instituto Tecnológico de la Producción [Technological Institute of Production]
MINAGRI	Ministry of Agriculture and Irrigation
MINCETUR	Ministry of Foreign Trade and Tourism
OECD	Organization for Economic Cooperation and Development
PEP	Multiyear project execution plan
PRODUCE	Ministry of Production
REDVUCE	Red Interamericana de Ventanillas Únicas [Inter-American Network of Single Windows]
ROF	Reglamento de Organización y Funciones [Rules of Organization and Operation]
SENASA	Servicio Nacional de Sanidad Agraria [National Agricultural Health Service]
SIN	Servicio de Inteligencia Nacional del Perú [Peruvian National Intelligence Service]
SMEs	Small and medium-sized enterprises
SUCAMEC	Superintendencia Nacional de Control de Servicios de Seguridad, Armas, Municiones y Explosivos de Uso Civil [Office of the National Superintendent for Control of Security Services, Weapons, Munitions, and Explosives for Civilian Use]
SUNAT	Superintendencia Nacional de Aduanas y Administración Tributaria [Office of the National Superintendent of Customs and Tax Administration]
UNCEFACT	United Nations Centre for Trade Facilitation and Electronic Business
VUCE	Ventanilla Única de Comercio Exterior [Peruvian single window]

## PROJECT SUMMARY

### PERU IMPROVEMENT OF FOREIGN TRADE FACILITATION SERVICES THROUGH THE SINGLE WINDOW (VUCE) STAGE TWO – SAN ISIDRO, LIMA (PE-L1159)

Financial Terms and Conditions				
<b>Borrower:</b> Republic of Peru <b>Executing agency:</b> Ministry of Foreign Trade and Tourism (MINCETUR)			Flexible Financing Facility <sup>(a)</sup>	
			Amortization period:	Bullet payment due 15 October 2025
			Original weighted average life:	10 years <sup>(b)</sup>
			Disbursement period:	5 years
			Grace period:	Bullet payment due 15 October 2025
Source	Amount (US\$)	%	Inspection and supervision fee:	<sup>(c)</sup>
IDB (Ordinary Capital)	20,000,000	32.3	Interest rate:	LIBOR-based
Local	41,900,000	67.7	Credit fee:	<sup>(c)</sup>
Total	61,900,000	100.0	Approval currency:	U.S. dollars from the Ordinary Capital
Project at a Glance				
<b>Project objective/description:</b> The general objective of the project is to help to make the Peruvian tradable sector more competitive so that foreign trade agents have competitive operating costs. The specific objectives are to: (i) streamline the processes and simplify the foreign trade procedures required by the control entities and other government agencies; (ii) reduce transaction times and costs for exporters and importers; and (iii) provide exporters, importers, and foreign trade-related service companies with information on services and regulations for foreign trade transactions. The project will finance four components: (i) component I: simplification of foreign trade processes and procedures; (ii) component II: design and launch of VUCE 2.0; (iii) component III: foreign trade services information system; and (iv) component IV: knowledge transfer and change management.				
<b>Special contractual conditions precedent to the first loan disbursement:</b> The executing agency will have presented evidence that the project execution unit has been created, with the necessary technical staff, including the general project coordinator, in accordance with the terms of reference previously agreed upon between the Bank, the Ministry of Economy and Finance, and the executing agency (paragraphs 3.1 and 3.3).				
<b>Exceptions to Bank policies:</b> None				
<b>Project qualifies as:</b> <sup>(d)</sup>				
SV [ ]		PE [ ]	CC [ ]	CI [X]

<sup>(a)</sup> 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.

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

<sup>(c)</sup> 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 applicable policies.

<sup>(d)</sup> SV (Small and Vulnerable Countries), PE (Poverty Reduction and Equity Enhancement), CC (Climate Change, Sustainable Energy, and Environmental Sustainability), CI (Regional Cooperation and Integration).

## I. PROJECT DESCRIPTION AND RESULTS MONITORING

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

- 1.1 **General context.** The Republic of Peru has a relatively open economy that is increasingly reliant on international trade. The ratio of trade to gross domestic product (GDP) increased from 27% in 2002 to almost 50% in 2012. At present, Peru has 17 trade agreements in effect with 52 countries. These agreements are a good platform for facilitating the cross-border movement of goods and services, expanding business opportunities, and promoting greater productivity and competitiveness in the tradable sector.
- 1.2 Under the new architecture for global and regional integration, trade facilitation is strategically important in view of the rapid transformation of the world economy and the growing fragmentation of production and integration in the global value chains. This means that countries compete—and will do so more and more—to join the global value chains on the strength of their comparative advantages in “processes,” while time and efficiency factors will have an ever larger impact on international trade and competitiveness. A [recently prepared IDB study](#)<sup>1</sup> concludes that businesses today find it essential to have instantaneous access to the information demanded by the various stakeholders who participate in the value chain, and for this information to circulate quickly, cheaply, and reliably. Therefore, if countries want to be seen by these businesses as attractive destinations, they need to adapt their information technology and communications infrastructure as well as improve their port productivity<sup>2</sup> and enhance the efficiency of ancillary services, such as cargo handling, warehousing, and storage. In this regard, the efforts that countries make in developing initiatives aimed at facilitating trade, such as single windows,<sup>3</sup> will make a difference and help create competitive advantages.
- 1.3 Implementation of a single window for foreign trade has been shown to have a very significant impact. According to a study conducted by the Organization for Economic Cooperation and Development (OECD),<sup>4</sup> the indicators associated with streamlined formalities and procedures and with automation—which have an effect on the single window—point to a potential savings in global trade costs of 2.8% to 4.2%, depending on a given country’s development level. According to

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<sup>1</sup> Blyde, Juan. Synchronized Factories: Latin America and the Caribbean in the Era of Global Value Chains. Special Report on Integration and Trade. Inter-American Development Bank, 2014.

<sup>2</sup> According to information quoted in this IDB study, the average productivity rate of Southeast Asian ports is almost three times higher than that of Latin American ports.

<sup>3</sup> In its recommendation 33, the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) defines the single window as “a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfill all import, export, and transit-related regulatory requirements. If information is electronic, then individual data elements should only be submitted once.”

<sup>4</sup> [OECD. Implementation of the WTO Trade Facilitation Agreement: The Potential Impact on Trade Costs. June 2015.](#)

Deloitte,<sup>5</sup> the United Nations,<sup>6</sup> and the Asia-Pacific Economic Cooperation (APEC) forum, countries that have single windows<sup>7</sup> in operation have identified significant reductions in cost and time, along with improved transparency and interagency coordination.<sup>8</sup> The Bank has been supporting other countries in the region in implementing single windows, including Chile (loan 2539/OC-CH); Colombia (loan 3155/OC-CO); Panama (operation PN-L1041); Costa Rica (operation ATN/AT-13221-RG); Uruguay (operation ATN/KK-14589-UR); Nicaragua (loan 3484/BL-NI); and Trinidad and Tobago (operation TT-L1044). In addition, with Bank support, some of these countries are working on making single windows interoperable (operation ATN/OC-14731-RG). Furthermore, in the context of the work carried out by the Inter-American Network of Single Windows (REDVUCE)<sup>9</sup> under Bank sponsorship, these and other experiences have been analyzed along with lessons learned on the subject of single windows<sup>10</sup> (see paragraph 1.12), serving as a guideline for the design of this operation. In the context of the Pacific Alliance initiative, the Bank is also using some of these programs to support efforts to be made by other member countries at the national level on their own single windows in order to be able to achieve interoperability of the single windows with Peru.

- 1.4 **Institutional framework.** The Ventanilla Única de Comercio Exterior [Peruvian single window] (VUCE)<sup>11</sup> was initially implemented to solve the problem of inefficient user access to the government entities responsible for processing permits and authorizations to trade in so-called restricted goods.<sup>12</sup> The objectives

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<sup>5</sup> Deloitte, “Estudio de Integración de Procesos de Comercio Exterior” [Study on Integration of Foreign Trade Processes], prepared at the request of Chile’s Ministry of Economy, September 2009.

<sup>6</sup> Economic Commission for Europe. United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT). Recommendations and Guidelines on Establishing a Single Window. New York and Geneva, 2005.

<sup>7</sup> For example, Japan shortened the time required to inspect ocean shipments by 6.7 hours, Korea cut the time required to clear goods by 1 day, and Mauritius reduced clearance time to 15 minutes for non-litigious declarations. In the region, Chile has seen reductions of close to 50% in the number of days it takes to complete the export process, Costa Rica has succeeded in shortening formality processing times by up to 90% in certain sectors, and even Peru—with a partially implemented single window—has experienced significant results: 30% of procedures are initiated during hours in which the State previously did not provide customer service, and annual savings on the order of US\$9 million have been achieved by foreign trade operators.

<sup>8</sup> OECD. Single Windows as Trade Facilitators: Evidence from the OECD Trade Facilitation Indicators, December 2013.

<sup>9</sup> REDVUCE is a regional dialogue forum sponsored by the IDB to promote dialogue, cooperation, and sharing of experiences, good practices, and lessons learned on the subject of single windows. It was created in 2011 and seven meetings have been held to date.

<sup>10</sup> Robert, Carolyn and Ulloa, Alfie. Las Ventanillas Únicas de Comercio Exterior como instrumento de facilitación comercial: el caso de América Latina y el Caribe [Single windows as a trade facilitation instrument: The case of Latin America and the Caribbean]. Inter-American Development Bank, March 2015.

<sup>11</sup> VUCE was created by means of Executive Order 165-2006-MEF and its initial scope was established by means of Legislative Decree 1036 and its Implementing Regulations (contained in Executive Order 09-2008 MINCETUR). Nevertheless, VUCE did not operate on a mass scale until 2010. Since the current regulatory framework is comprehensive, it does not require any adjustments to accommodate execution of the activities planned under this program.

<sup>12</sup> Restricted goods are those requiring authorization by one or more relevant entities before they may be subject to any given customs procedure.

of this initial stage of VUCE (2010-2014) were to reduce both user wait times for obtaining these authorizations and user transportation costs, as well as to cut down on delays and application denials. At present, there is a Special Committee that was created under the Foreign Trade Facilitation Law (Law 28977 dated 9 February 2007). It is chaired by the Ministry of Foreign Trade and Tourism (MINCETUR) and its members include the public entities responsible for the procedures and related formalities associated with foreign trade transactions processed through VUCE, as well as private sector representatives.<sup>13</sup> In accordance with Law 28977 and its Implementing Regulations (approved by means of Executive Order 022-2008-EF dated 8 February 2008), MINCETUR is responsible for forming the Special Committee in coordination with the other agencies that are in charge of standardizing and simplifying VUCE procedures in Peru.<sup>14</sup> It should be noted that the duties of the Special Committee include proposing improvements and simplification of procedures and formalities, and taking the necessary steps to implement, launch, and ensure proper functioning of VUCE. In addition, MINCETUR's new Rules on Organization and Operation (ROF) were recently approved by means of Executive Order 002-2215-MINCETUR, creating the Dirección de la Ventanilla Única de Comercio Exterior y Plataformas Tecnológicas [Office of Single Window and Technology Platforms] under a new Dirección General de Facilitación del Comercio Exterior [Bureau of Foreign Trade Facilitation]. This newly created bureau, acting from within MINCETUR, will be responsible for coordinating matters relating to process improvements, managing information systems that can ensure integrated VUCE operations, and overseeing their proper implementation.

- 1.5 **Problems to be addressed by the project.** Stage one of the Peruvian single window (2010-2014) achieved significant results in terms of efficiency, increase in the number of users and in the quantity and quality of services provided, and monetary savings. Thus, in 2013, foreign trade files submitted to MINCETUR were processed 15% faster than the previous year, the number of users exceeded 20,000, 187 new administrative procedures were included (112% more than in 2012), the modules for completing origin and port formalities were added to VUCE, and the 24/7/365 VUCE became available. In addition, annual savings were achieved in an amount of approximately US\$9 million. However, VUCE services do not yet encompass all entities or procedures, nor do they include all the functionalities of a single window. Consequently, there is still ample room to optimize the time spent and cost incurred by exporters and importers.
- 1.6 According to the diagnostic study, survey of processes, and analysis of technology architecture design conducted by the technical groups during project preparation, 167,235 foreign trade procedures were processed in Peru in 2014 through VUCE, representing a 32% increase with respect to 2013. In addition, 160,118 resolution documents were issued and 23,000 users were served. Furthermore, 15 entities are qualified to act in the area of restricted goods and therefore participate by granting approvals or permits for these transactions (see Table I.1 and Figure I.1).

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<sup>13</sup> The committee is comprised of SUNAT, SENASA DIGEMID, DIGESA, MINAGRI, ITP, PRODUCE, SUCAMEC, CCL, COMEX, ADEX, SIN, DP WORLD CALLAO, and others.

<sup>14</sup> See Article 9 of Law 28977.



- 1.7 The following problems were identified in the functioning of the current VUCE, specifically in the processes used by public entities to issue permits: (i) they are not properly recorded or coordinated among the various entities; (ii) they address functional (rather than process management) objectives; (iii) they include procedures that fail to add any value; (iv) they frequently fail to comply with regulations regarding time frames;<sup>15</sup> (v) they seek to maximize tariff and other fee collection rather than efficiency; and (vi) they fail to follow international good practices in terms of document management. In addition, under the current VUCE, users are still being asked to provide the same information more than once and there is no traceability mechanism in place to track the status of a procedure. Furthermore, public management practices make very limited use of risk criteria, thus preventing low-risk operations from being processed in a quick and expedited manner. Compounding these problems, VUCE currently: (i) covers only a limited number of processes; (ii) lacks the capacity or functionalities to share information associated with any processes other than those already in place or with other entities that also participate in the foreign trade chain; (iii) does not allow for electronic data sharing in accordance with international standards so as to make it possible to interoperate with single windows in other countries; and (iv) lacks the capacity to systematize all relevant information and make it available to the government in order to make the government more efficient and its decisions in this regard more expeditious. Lastly, it is worth noting that the authorization of port formalities involves several entities that are not part of VUCE and whose processes and procedures are quite lengthy.
- 1.8 According to data projections by the Central Reserve Bank of Peru (BCRP) for the 2014-2016 period, exports and imports will have grown respectively by 10.8% and 5.9% by July 2016.<sup>16</sup> In addition, the total number of procedures carried out through VUCE in 2013 increased by close to 25% with respect to the preceding year. This requires VUCE to build on its current capacity and become a modern and more sophisticated single window, in line with the new reality and demands of foreign trade. Thus, VUCE needs to integrate the universe of entities that participate in foreign trade procedures<sup>17</sup> and add new functionalities that reflect international good practices and standards,<sup>18</sup> while improving the internal processes of the relevant entities in terms of risk management, information technology, and change management.

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<sup>15</sup> Several of the public entities that participate in foreign trade transactions were found to exceed the required processing time frames by two to nine days. See study on diagnostic assessment and mapping of processes in the attached document Technology Solutions for the Single Window.

<sup>16</sup> [BCRP Inflation Report, July 2014.](#)

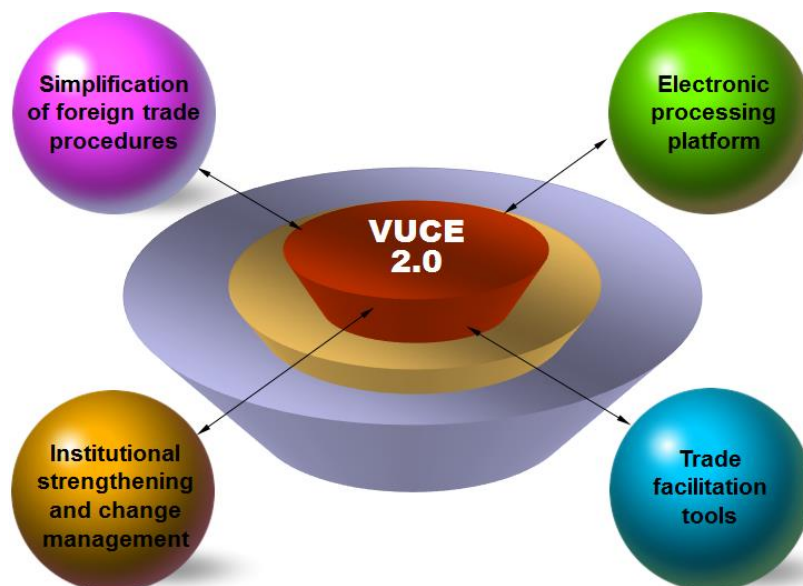
<sup>17</sup> According to the World Bank Trading Across Borders Report, 49 of the 150 countries surveyed have introduced a single window for trade, but only 20 of these countries have a single-window system that links together all relevant state entities. World Bank, Trading Across Borders Report, 2012.

<sup>18</sup> For example, UN/CEFACT recommendations and the experience of other countries. See Robert, Carolyn and Ulloa, Alfie. Ibid.

**Table I.1. VUCE-related transactions and users**

2010		2014	
Administrative procedures added	61	Administrative procedures added	260
Users	5,244	Users	23,000
Control entities	6	Control entities	15

**Figure I.1. Lines of work of VUCE 2.0**



- 1.9 **Relationship with the country strategy.** This operation supports the IDB Country Strategy with Peru 2012-2016 (document GN-2668), since VUCE will help to consolidate institutional reforms aimed at improving the country's business climate and will improve the logistics services associated with international trade. In addition, this operation is aligned with one of the areas of dialogue under the country strategy, namely "trade and integration, on issues of exploiting trade agreements, trade facilitation, and services." Moreover, this operation is aligned with the priority of "lending to support regional cooperation and integration" identified in the Report on the Ninth General Increase in the Resources of the Inter-American Development Bank (document AB-2764), specifically the competitive regional and global international integration goals, to the extent that it will promote greater regional and global integration and better connectivity between Peru and other countries, will facilitate harmonization of regulations on foreign trade and will generate international coordination mechanisms (document GN-2733). In addition, the project will promote Peru's compliance with international trade agreements, and training of government officials responsible for foreign trade and private-sector stakeholders, as set forth in the Sector Strategy to Support Competitive Regional and Global Integration (document GN-2565-4), the Integration and Trade Sector Framework Document (document GN-2715-2), and the Results Matrix.

**Table I.2: Project lines of action**

<b>Lines of action (components)</b>	<b>Problems addressed</b>	<b>Expected outputs</b>	<b>Associated outcomes (objectives)</b>
1. Simplification of foreign trade processes and procedures	Current processes contain procedures that to not add value, fail to include risk management systems, fail to comply with regulations regarding time frames, and fail to meet international standards or address the objective of maximizing efficiency and reducing time and costs.	Administrative processes and procedures streamlined in the main control entities.	Greater efficiency in foreign trade procedures by streamlining the processes associated with foreign trade transactions.
2. Design and launch of VUCE 2.0	The current VUCE design does not include all procedures at control entities or allow interoperability with other entities. It also does not ensure integration with public data sources, does not allow access to all users, and does not allow electronic payment or data sharing in accordance with international standards.	New single window software (VUCE 2.0) to process the foreign trade formalities required by the control entities and other government agencies. The new software includes new and modern functionalities, ensures integration with other government agencies and public data sources, and meets international standards.	Reduction in transaction times and costs for exporters and importers
3. Foreign trade information services	The current VUCE design does not contain mechanisms to provide users with information on foreign trade-related logistics services and link exporters and importers with the companies that offer such services.	New information system for exporters, importers, and sector businesses on foreign trade-related logistics services. Cargo community pilot project in the port of Callao.	New foreign trade-related information services available to exporters, importers, and foreign trade sector companies.
4. Knowledge transfer and change management	Failure to address the facilitation and efficiency objectives that government agencies should pursue in the area of foreign trade. Lack of coordination and nonstandardized procedures. Information hard for users to access.	Compliance with efficiency objectives, international standards, and good practices, and greater standardization, in processes and formalities through knowledge transfer and training.	Improved performance by the control entities that participate in foreign trade transactions, and greater coordination among these entities.

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

- 1.10 The general objective of the project is to help make the Peruvian tradable sector more competitive so that foreign trade agents have competitive operating costs. The specific objectives are to: (i) streamline the foreign trade procedures required by the control entities and other government agencies; (ii) reduce transaction times and costs for exporters and importers; and (iii) provide exporters, importers, and foreign trade-related service companies with information on services and regulations for foreign trade transactions.
- 1.11 To this end, the project will finance the development and implementation of a new, integrated single window software for completing the formalities associated with foreign trade transactions. In addition, the project will finance the development of a series of information systems for VUCE users that make it possible to integrate and provide systematized, up-to-date, and intelligent information on logistics services, trade regulations, markets, products, and VUCE statistics. The project will furthermore finance the design and implementation of a port community system and the launch of an interoperability platform to connect VUCE with single windows in other countries in the region, particularly those comprising the Pacific Alliance (Colombia, Chile, and Mexico).
- 1.12 Implementing the next stage of VUCE implies the existence of a number of critical factors, such as: (i) a commitment to the project at the political and institutional level; (ii) proper coordination among the public and private entities involved; (iii) a fluid dialogue with the private sector; (iv) adoption of international standards and best practices; and (v) effective execution of the procurement planned for the project. All the foregoing factors, as well as the good practices and lessons learned that were analyzed in order to arrive at these factors, have been taken into account and are reflected in the design of this operation.
- 1.13 The project is divided into four components: (i) simplification of foreign trade processes and procedures; (ii) design and launch of a new single window software (VUCE 2.0); (iii) development of information systems for foreign trade transactions; and (iv) knowledge transfer and change management for the implementation of VUCE 2.0.
- 1.14 **Component I: Simplification of foreign trade processes and procedures (US\$4,100,000).** The objective of this component is to perform a review and analysis of existing foreign trade procedures in the principal control entities in order to eliminate unnecessary steps, ensure that the processes involved address efficiency objectives, include risk management procedures, and comply with international standards and good practices. The specific activities to be financed under this component are the following:

- a. **Process review and streamlining.** The existing processes at the principal control entities<sup>19</sup> participating in VUCE will be reviewed for purposes of simplifying them. Process simplification and redesign will be performed ensuring that the following strategic criteria are met: (a) the procedures pursue a process management rather than a functional objective; (b) the control entities have collaborative and content management tools in place based on workflow; (c) users are able to perform an advanced search for information and track their procedures in detail; (d) document management by the control entities is performed in compliance with international good practices;<sup>20</sup> (e) the elements needed for proper risk management are identified; and (f) the time frames for processing formalities address user needs and expectations (rather than reflect regulatory deadlines) and the objective of saving time and lowering costs (rather than maximizing tariff collection). In addition, the simplification and redesign will: seek to eliminate requirements and procedures that add no value; ensure the traceability of formalities by providing information on the fulfillment of deadlines and the status of issues; and make it easier for a user to reuse an earlier authorization when appropriate. As part of this activity, the regulatory framework underlying the processes will be reviewed to identify adjustments that it may be advisable to implement as a result of the process simplification exercise. The review of processes under this component will be an essential input for the development of VUCE 2.0 under component II of the project.
- b. **Workshops.** This component will also finance workshops with the private sector to ensure its participation in this exercise and in order to take into account the sector's opinions and recommendations during the redesign and streamlining process. This task will be carried out taking into account the recommendations resulting from the preliminary analysis of processes performed during project preparation.<sup>21</sup>
- c. **Data standardization.** In addition, a proposal for standardizing data at the principal control entities will be prepared as part of this component, with a view to promoting harmonization of the information and formats required by these entities, in accordance with international standards.

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<sup>19</sup> Control entities are understood to mean public institutions that exercise some type of control over foreign trade transactions based on their respective area of responsibility. They notably include SENASA; DIGEMID; DIGESA, Organismo Nacional de Sanidad Pesquera [National Fisheries Health Service] (SANIPES); Ministry of Transportation and Communications (MTC); PRODUCE; SUCAMEC; Servicio Nacional Forestal y de Fauna Silvestre [National Forestry and Wildlife Service] (SERFOR); National Port Authority (APN); Dirección de Capitanía de Puerto [Harbor Master's Office] (DICAPI); Dirección Regional de Salud del Callao [Callao Regional Health Office] (DIRESA); and MINCETUR.

<sup>20</sup> ISO 15489 or similar.

<sup>21</sup> Consulting & Management SAC. Final Consulting Report. Analysis of processes and technology solutions for the public investment program Improvement of Foreign Trade Facilitation Services in Peru through the Single Window, Lima, Peru, June 2015.

- d. **Design of risk management instruments.** This component will finance consulting services to develop and implement risk management systems in VUCE and in the principal control entities so as to identify cases of risk or potential noncompliance on a timely basis and thus be able to focus particular attention on them without affecting the efficiency and time frames of low-risk procedures. The design of risk management instruments will take into account international good practices, and efforts will be made to ensure that these instruments comply with international standards.<sup>22</sup>

1.15 **Component II: Design and launch of VUCE 2.0. (US\$29,500,000).** The objective of this component is to design and implement a new, integrated single window system for electronically performing the transactions associated with foreign trade operations. The specific activities to be financed under this component are the following:

- a. **Development and launch of VUCE 2.0.** This component will finance the development and launch of a new integrated software (VUCE 2.0) that allows foreign trade operators to complete the formalities associated with foreign trade transactions electronically. The new system will also, whenever necessary, enable interoperability with other existing systems in other entities (e.g., the National Agricultural Health Service (SENASA) and the Office of the National Superintendent of Customs and Tax Administration (SUNAT), as well as integration with key public or private data sources, such as the National Registry of Identification and Vital Statistics (RENIEC) and the Office of the National Superintendent of Public Registries (SUNARP), ensuring that users are not asked to provide the same information more than once. The system will allow all users to have access and provide authentication, make electronic payment of the tariffs and fees associated with the formalities processed through VUCE, and track the status of the formalities. It will also employ electronic data sharing formats based on international standards to ensure interoperability with other single windows, and will include support tools, applications, and functionalities including: integration, management, and/or consultation with public and private database and information systems; sending alerts; performing advanced searches; allowing functional users to manage “business rules;” and downloading and performing an intelligent analysis of the information generated by VUCE. This activity will also include financing for the design and implementation of systems for digital signature and certificates, as well as consulting services to create a VUCE help desk and call center. In addition, the project will finance the costs involved in seeking to obtain quality certifications for VUCE once it is operational (ISO9000, Customer Service Charters, ISO27.000, ISO20.000, Government IT).

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<sup>22</sup> World Customs Organization (WCO) recommendations on risk management, control, and assessment. [World Customs Organization, SAFE Framework of Standards to secure and facilitate global trade, June 2012.](#)

- b. **Hardware infrastructure for VUCE 2.0.** The project will finance the hardware infrastructure needed for proper operational functioning of the central VUCE, as described in the document [Technology architecture proposal for VUCE 2.0](#). This will include procurement of an external integration bus to ensure interoperability between VUCE and the existing systems at the control entities, as well as communications networks, a data center (private cloud), and PCs and peripheral equipment.
- c. **Software and hardware infrastructure at the control entities.** In addition, the project will finance development of the software needed to enable the control entities to streamline their processes and connect to VUCE. In particular, it will finance the development of software (or adjustments to existing software, as the case may be) to process document-related formalities, develop risk management systems, and perform simultaneous inspections at the different control entities. Similarly, the project will finance procurement of the necessary hardware to enable these control entities to connect to VUCE, including servers, data centers, communications networks, and PCs and peripheral equipment.
- d. **Development of software for interoperability with other single windows.** This activity will finance the design of processes to enable Peru's VUCE to interoperate with the single windows of other countries in the region, particularly the Pacific Alliance countries under the trade agreement they have signed. The new VUCE 2.0 system will ensure integration with the VUCE interoperability platform designed under REDVUCE with support from the Bank,<sup>23</sup> in order to enable the electronic sharing of data relating to phytosanitary and zoosanitary certificates and certificates of origin at an initial stage, and other international trade documents (customs declaration) at a later stage. The above will include adjustments to existing programs at the control entities, which will be adapted to reflect the new electronic data sharing standards and formats agreed upon by the Pacific Alliance signatory countries.<sup>24</sup>
- e. **Development of an information system for special processing zones.** Financing will be provided to develop a software for the administration and development of a management system for special processing zones (free trade zones) in Peru, in order to facilitate the processes of exporters established in these zones. This system will be integrated with the VUCE 2.0 platform.

1.16 **Component III: Foreign trade information services (US\$19,700,000).** The objective of this component is to provide exporters, importers, and tradable-

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<sup>23</sup> Project ATN/OC-14731-RG Support for Developing an Interoperability Platform for Single Windows.

<sup>24</sup> Within the framework of the Pacific Alliance, the Bank is supporting a number of projects (see paragraph on the efforts to be undertaken by the other member countries on their own single windows to ensure interoperability with Peru's VUCE).

sector businesses with more efficient services for foreign trade operations. The specific activities to be financed under this component are the following:

- a. **Information systems for logistics and foreign trade services.** This component will finance the design and implementation of a system for providing information on logistics services linking exporters and importers with providers of these services, and of a phytosanitary traceability system for animal products and derivatives. Use will be made of efforts already underway, such as in the context of the Callao Online portal,<sup>25</sup> as well as other international experiences. The project will also finance development of a platform that systematizes and integrates all available information on foreign trade regulations, including information on markets, products, rules, and tariffs; a portal that makes it possible to monitor the National Export Plan (PENX); and another platform, known as Marketplace, that allows users to establish direct contact with the service providers.
- b. **Port community system in Callao.** This activity will finance the design and implementation of an online cargo traceability system in the form of a pilot cargo community project for containerized goods at the port of Callao (Constitutional Province of Callao) that makes it possible to manage the document-related, logistics, and business information of foreign trade operators.
- c. **Business intelligence information system.** This activity will finance the design and implementation of an information system on the use of preferences and the domestic and foreign origin and destination of goods, and a software to analyze and consult indicators and statistical information generated by VUCE for purposes of making strategic decisions on trade policy.
- d. **System for enterprises.** This activity will finance the development of a software to be used free of charge by small and medium-sized enterprises (SMEs)<sup>26</sup> so that, in addition to entering and performing transactions on VUCE 2.0, they may have access to value-added services related to accounting and inventory management and thus have integrated systems in place to manage their foreign trade-related operations.
- e. **E-Learning, training, and customer loyalty programs.** This activity will finance the development and implementation of e-learning and training programs for users that foster customer loyalty and encourage the use of VUCE by foreign trade operators and service providers.

1.17 The systems designed under this component will be integrated or linked to the VUCE 2.0 electronic system through the appropriate interoperability

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<sup>25</sup> Transparent online maritime services portal. For more information, see [www.callaonline.com](http://www.callaonline.com).

<sup>26</sup> In accordance with Executive Order 013-2013-PRODUCE, the characteristics for determining the type of enterprise are established on the basis of annual sales expressed in Unidades Impositivas Tributarias [Peruvian Tax Units] (UIT), as follows: microenterprise, up to 150 UIT; small enterprise, from 151 UIT to 1,700 UIT; and medium-sized enterprise, from 1,701 UIT to 2,300 UIT.



functionalities and/or platforms, as applicable, to help ensure that all information related to foreign trade is available to users in accessible form. To this end, the project will finance the procurement of equipment for online customer service points to be set up in various areas of the country. The specific locations will be determined at a subsequent time, based on the number of users and stakeholders taking part in foreign trade operations in the different regions of Peru.

- 1.18 **Component IV: Knowledge transfer and change management (US\$3,400,000).** The objective of this component is to promote compliance with international good practices and standards on foreign trade processes by the control entities through knowledge transfer and proper management of change. The specific activities to be financed under this component are the following:

- a. **Knowledge transfer.** This activity will finance the development and implementation of a program for the transfer of knowledge on good practices in trade facilitation and business intelligence, including information systems for foreign trade and risk management and control. This program will include: (a) design and implementation of an internship and knowledge sharing program for officials in MINCETUR and other control entities with other countries having proven experience in foreign trade facilitation, business intelligence, risk management, and information systems; and (b) design and implementation of a training program in these areas for MINCETUR officials and private sector representatives, including lessons learned from other countries both within and outside the region.
- b. **Dissemination and change management.** This activity will finance the design and implementation of a change management strategy aimed at facilitating and promoting proper implementation of VUCE 2.0 by control entities and users, including the private sector. It will also finance programs and activities aimed at disseminating the benefits of VUCE and tools related to foreign trade information services that foster its use, including the design and implementation of a publicity campaign.

**C. Key results indicators**

- 1.19 The [Results Matrix](#) (Annex II) shows the project's impact, outcome, and output indicators and is consistent with Table I.2 presented above. In all cases, baseline values and targets have been identified, as have sources of information and means of verification. The project's expected impact consists in improving the competitiveness of the tradable sector by lowering the transaction costs associated with foreign trade. Based on the results that appear in the matrix, it is expected that by the end of project execution: (i) the times and costs associated with formalities processed through VUCE will be reduced; and (ii) the logistics costs associated with foreign trade will be lower. Specifically, by project completion there should be a 25% decrease in the number of days associated with the formalities and procedures processed through VUCE, and an estimated 5% reduction in the logistics costs associated with foreign trade transactions.

- 1.20 Using a cost-benefit analysis, the present value of the net benefits of the project has been estimated at US\$35.7 million, with an internal rate of return of 28%. At least two sources of benefits were identified: (i) reduction of one day in the time needed to process exports and imports using VUCE; and (ii) cost of port coordination in Callao. A nominal discount rate of 10.49% was estimated, in line with the suggested ranges appearing in the literature.<sup>27</sup> The sensitivity analysis suggests that the project should start to become profitable when 58% of the improvement targets have been reached. Complementarily, a savings of 2.37 days or US\$10.2 per container would of itself render the project economically viable. See [economic evaluation](#).

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 This operation will be financed through an investment loan. The total cost of the project is US\$61,900,000, of which the Bank will contribute US\$20,000,000 (32.3%) from its Ordinary Capital, and the remaining US\$41,900,000 will be financed with local counterpart resources. Table II.1 presents a breakdown of project costs by component and output.

**Table II.1. Project budget (US\$)**

	<b>Total</b>	<b>Bank</b>		<b>Borrower</b>	
<b>Component I: Simplification of foreign trade processes and procedures:</b>	<b>4,100,000</b>	<b>2,700,000</b>	<b>66%</b>	<b>1,400,000</b>	<b>34%</b>
Process review and streamlining	3,170,000	2,250,000	71%	920,000	29%
Workshops	30,000	10,000	33%	20,000	67%
Data standardization	500,000	340,000	68%	160,000	32%
Design of risk management instruments	400,000	100,000	25%	300,000	75%
<b>Component II: Design and launch of VUCE 2.0:</b>	<b>29,500,000</b>	<b>12,250,000</b>	<b>41.5%</b>	<b>17,250,000</b>	<b>58.5%</b>
Design and launch of a new, electronic single window system (VUCE 2.0)	19,152,000	11,210,000	58.5%	7,942,000	41.5%
Hardware infrastructure for VUCE 2.0	2,745,000	0	0%	2,745,000	100%
Software and hardware infrastructure at the control entities	6,603,000	940,000	14.2%	5,663,000	85.8%
Design of software processes and adjustments for interoperability	500,000	50,000	10%	450,000	90%
Administration systems for special processing zones	500,000	50,000	10%	450,000	90%
<b>Component III: Foreign trade information services</b>	<b>19,700,000</b>	<b>3,750,000</b>	<b>19%</b>	<b>15,950,000</b>	<b>81%</b>
Information system for logistics services	6,900,000	1,790,000	25.9%	5,110,000	74.1%
Port community system (Callao)	3,250,000	600,000	18.5%	2,650,000	81.5%

<sup>27</sup> This rate was obtained by estimating the social opportunity cost of the funds, measured as the sum of country risk associated with Peru (2.85%), plus a risk-free rate (2.64%) corresponding to the rate of U.S. ten-year sovereign bonds, and a 5% return associated with developed stock markets. The selected discount rate is within the acceptable range (a real rate of 6% to 8%) for the cost-benefit analysis (Burgess, 2011).

Business intelligence information system	5,250,000	500,000	9.5%	4,750,000	90.5%
System for enterprises (SMEs)	3,100,000	620,000	20%	2,480,000	80%
Customer service tools (e-learning, training, user loyalty building)	1,200,000	240,000	20%	960,000	80%
<b>Component IV: Knowledge transfer and change management</b>	<b>3,400,000</b>	<b>350,000</b>	<b>10.3%</b>	<b>3,050,000</b>	<b>89.7%</b>
Knowledge transfer	1,500,000	150,000	10%	1,350,000	90%
Strategies for change management and dissemination of benefits	1,900,000	200,000	10.5%	1,700,000	89.5%
<b>Project management unit and physical adaptation</b>	<b>4,250,000</b>	<b>0</b>	<b>0%</b>	<b>4,250,000</b>	<b>100%</b>
<b>Evaluations</b>	<b>600,000</b>	<b>600,000</b>	<b>100%</b>	<b>0</b>	<b>0%</b>
<b>Audits</b>	<b>350,000</b>	<b>350,000</b>	<b>100%</b>	<b>0</b>	<b>0%</b>
<b>TOTAL</b>	<b>61,900,000</b>	<b>20,000,000</b>	<b>32.3%</b>	<b>41,900,000</b>	<b>67.7%</b>

## B. Environmental and social risks

- 2.2 In accordance with the Environment and Safeguards Compliance Policy (Operational Policy OP-703), the project was classified as a category C operation. No socioenvironmental risks are anticipated.

## C. Fiduciary risks

- 2.3 The risk assessment exercise performed during the project design stage determined that the fiduciary risk level is medium in terms of both financial management and procurement.
- 2.4 The primary fiduciary measures to be applied to the operation were agreed upon and are listed in Annex III, Fiduciary Agreements and Requirements. The measures relate to the following issues: (i) exchange rate to be used; (ii) audits; (iii) procurement methods, types, and threshold amounts, and the type of procurement review; (iv) procurement plan for the entire execution period; and (v) financial supervision plan.

## D. Other project risks

- 2.5 The development and implementation of the second stage of VUCE requires and assumes the existence of a number of critical factors, such as: (i) significant support for the project at the political and institutional levels, as well as effective communication, coordination, and monitoring on the part of the various public and private institutions involved; (ii) appropriate information technology capacity on the part of the control entities, as well as adoption of international standards and efficiency objectives and a commitment to high levels of service by these entities; (iii) effective execution of the procurement planned for the project; and (iv) continuity of the execution unit and commitment to the project by the Government of Peru. Therefore, the main risks that have been identified are associated with: a low level of commitment and/or participation on the part of certain relevant institutions; disparate levels of technological development at the participating government agencies; resistance to change in both the public and private sectors; and execution problems related to procurement, such as delays and lack of familiarity with Bank systems and procedures. An additional risk that has been identified is a lack of continuity in the execution unit staff in the event of

- a change of national government. These risks can be mitigated through the following actions: (i) redefining strategic priorities at the participating institutions and securing their commitment to the project within the framework of the Special Committee; (ii) providing support, using Bank resources, to even out the different levels of technological development at the institutions and to develop a change management strategy that incorporates knowledge transfer on international standards and good practices; (iii) strengthening the team in charge of execution in the procurement area; and (iv) defining the professional profiles agreed upon in advance with the Bank for the general project coordinator and the rest of the execution unit staff. The risk assessment prepared during project preparation contains details of the identified risks and the respective mitigation plan.
- 2.6 To date, as mentioned in paragraph 1.4, a Special Committee has been created to implement the single window in Peru, and the organization of the work team has been determined in the context of MINCETUR's new Rules on Organization and Operation (ROF). In addition, during preparation of the operation and with Bank support, several technical work groups were created to collect information on foreign trade processes, technology solutions and architecture, and regulatory issues. There has also been dialogue, in the framework of the Special Committee, with the participating control entities and the private sector regarding the scope of the new VUCE 2.0 and the project.
- 2.7 Furthermore, through REDVUCE, the Bank has been supporting the countries in the region, including Peru, in their sharing of experiences and good practices with respect to foreign trade single windows. Moreover, the nonreimbursable technical cooperation project Support for Developing an Interoperability Platform for Single Windows (operation ATN/OC-14731-RG) was approved in late 2014 in order to support the efforts of several countries in the region to move forward in making their single windows interoperable. This has enabled MINCETUR to advance in the conceptual design of VUCE 2.0 and carry out the technical work described above.

### **III. IMPLEMENTATION AND MANAGEMENT PLAN**

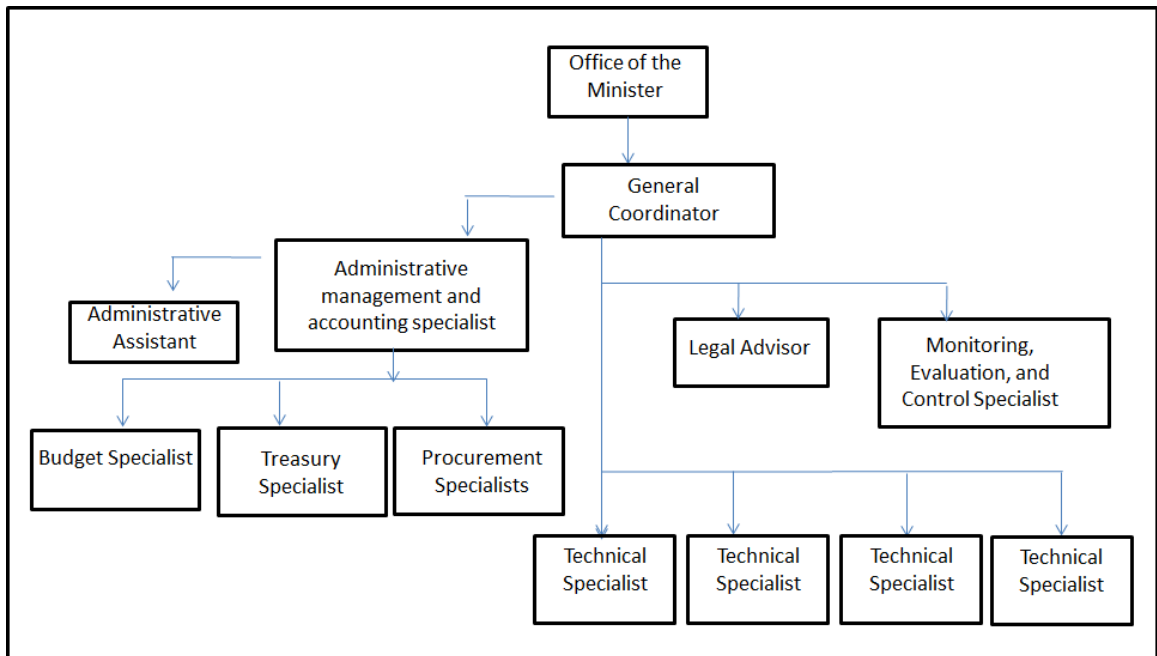
#### **A. Summary of implementation arrangements**

- 3.1 The borrower will be the Republic of Peru. The executing agency will be the Ministry of Foreign Trade and Tourism (MINCETUR), which will operate through a project execution unit with administrative, economic, and financial autonomy for project execution. The execution unit's responsibilities will include: (i) planning, directing, supervising, and evaluating project activities; (ii) acting as interlocutor with the Bank; (iii) coordinating project execution with the control entities, as well as with other public or private entities relevant to project execution; and (iv) approving supervision documents for the project's execution and financial management. The project will also have a working group ("project technical committee") made up of a representative from the Ministry of Economy and Finance, and two from MINCETUR, in order to monitor the execution unit with respect to the strategic aspects of the project. This group's specific functions will be set forth in the project's Operating Manual. The technical staff needed for the execution unit will include: (i) a general project coordinator and a procurement specialist, an administrative and accounting management specialist, a budget

specialist, and a treasury specialist. Another procurement specialist will also be an integral part of the execution unit, as will a monitoring, evaluation, and control specialist, a legal advisor, and four technical specialists in the areas of technology infrastructure, information systems, process redesign, and organizational development and change management. The project's disbursement period will be five years. An initial multiyear project execution plan (PEP) was prepared for the execution period.

- 3.2 Law 28977, regulated by Executive Order 010-2007-MINCETUR and supplementary regulations, which establishes the Special Committee for the standardization and simplification of procedures through VUCE, envisages the participation and technical collaboration of institutions including: SUNAT, SENASA, Bureau of Medicines, Medical Supplies, and Drugs (DIGEMID), Bureau of Environmental Health (DIGESA), Ministry of Agriculture and Irrigation (MINAGRI), Instituto Tecnológico de la Producción [Technological Institute of Production] (ITP), Ministry of Production (PRODUCE), Office of the National Superintendent for Control of Security Services, Weapons, Munitions, and Explosives for Civilian Use (SUCAMEC), Lima Chamber of Commerce (CCL), Sociedad de Comercio Exterior del Perú [Peruvian Foreign Trade Association] (COMEX), Asociación de Exportadores del Perú [Association of Peruvian Exporters] (ADEX), Servicio de Inteligencia Nacional del Perú [Peruvian National Intelligence Service] (SIN), and [DP World Callao](#). In accordance with these regulations, the participating institutions will work together, within the scope of their respective competencies, to fulfill the objective of implementing VUCE and participate in its implementation. The execution unit will establish and monitor fulfillment of the obligations, terms, and operational responsibilities assigned to the participating control entities in the framework of the project components and objectives. To this end, the execution unit will periodically meet with the Special Committee and present detailed reports on progress in executing the activities planned for the project. In addition, in the framework of this committee, the execution unit will work with the various participating entities to coordinate the execution of activities involving their active participation.

Figure III.1. Execution unit



- 3.3 **Special contractual conditions precedent to the first disbursement of the financing.** The loan contract will include the following special contractual conditions precedent to the first disbursement of loan proceeds: **the executing agency will have presented evidence that the project execution unit has been created, with the necessary technical staff, including the general coordinator, in accordance with the terms of reference previously agreed upon between the Bank, the Ministry of Economy and Finance, and the executing agency (paragraph 3.1).**
- 3.4 **Procurement.** The project will comply with the provisions set forth in the Policies for the procurement of works and goods financed by the IDB, of March 2011 (document GN-2349-9) and the Policies for the selection and contracting of consultants financed by the IDB (document GN-2350-9). The Bank will review the procurement processes as provided in the procurement plan. For more information, see Annex III, Fiduciary Agreements and Requirements.
- 3.5 **Audit.** The borrower, acting through the executing agency/execution unit, undertakes to select and contract a tier I or II independent audit firm, in accordance with Bank policies and for the entire project execution period, including any extension of the final disbursement period. Annual and final audited financial statements will be presented as provided in Annex III, Fiduciary Agreements and Requirements.
- B. Summary of arrangements for monitoring results**
- 3.6 To monitor the project, the executing agency will use the [Results Matrix](#), the PEP, the AWP, the [itemized budget](#), and the risk assessment prepared during project preparation.

- 3.7 For purposes of supervising project execution, the following instruments will be used: (i) the PEP, with the complete project plan in accordance with the structure of the expected outputs, according to the Results Matrix and the critical path of milestones or critical actions to be executed; (ii) the AWP, which will be prepared on the basis of the PEP; and (iii) semiannual progress reports to be submitted for review by the Bank, including the outcomes and outputs achieved in execution of the AWP, the procurement plan, and the Results Matrix. The report for the second half of each year will include the proposed AWP for the following year. The PEP and the procurement plan will be updated as necessary, and in particular, when significant changes arise that entail or could entail delays in project execution or changes in output targets. The Bank will conduct administrative missions or inspection visits, taking into account the milestones and critical path established in the PEP. The Bank will use the Project Monitoring Report (PMR), which contains a provisional estimate of disbursements and attainment of targets and outcomes. In addition, project execution will be carried out in accordance with the provisions of the project's Operating Manual approved by the executing agency with the Bank's prior no objection.
- 3.8 **Evaluation.** The executing agency will conduct one midterm and one final evaluation of the project. The midterm evaluation will be conducted during the six months following the two and one half-year anniversary of the loan contract's effective date or when disbursements reach 60% of the loan proceeds, whichever occurs first. The final evaluation will be conducted during the last year of project execution. The objective of these evaluations will be to determine the degree of progress and attainment of the specified indicators, outcomes, and targets, as well as to make recommendations, propose corrective actions, and establish good practices and lessons learned. The following aspects will be considered: (i) compliance with the deadlines and milestones established in the PEP, based on the defined timeline of activities; and (ii) progress toward reaching the impact, outcome, and output indicators specified in the Results Matrix. The midterm evaluation will make recommendations for execution of the project and attainment of its objectives. Both evaluations will be conducted under contracts for specialized consulting services, which will be financed from project resources. The terms of reference for these evaluations will be agreed upon in advance with the Bank. The executing agency will also conduct an ex post evaluation upon completion of project execution, within the framework of the National Public Investment System.
- 3.9 To evaluate the economic impact of the implementation of VUCE 2.0, an analysis is planned to determine the impact of VUCE 2.0 on reducing transaction costs. While previous evaluations have found that the implementation of single windows has a significant effect on exports and imports,<sup>28</sup> VUCE 2.0 is an improvement on the current single window in Peru. Accordingly, it is assumed that the foreign trade gains have already to a large extent been captured by the first window and it is therefore more appropriate to assess the project's impact on other economic variables, particularly the reduction in transaction costs. To evaluate the project's two key variables (reduction in the number of processing days and in the logistics

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<sup>28</sup> Carballo, Schaur, Volpe Martincus, "The Border Labyrinth: Information Technologies and Trade in the Presence of Multiple Agencies," Washington, D.C., August 2015.

costs of port coordination), the proposed approach is to use the difference-in-differences (DID) method for the processing days variable, and the before-after method for the logistics costs variable. A detailed description of these additional evaluations can be found the monitoring and evaluation plan.



Development Effectiveness Matrix				
Summary				
I. Strategic Alignment				
1. IDB Strategic Development Objectives		Aligned		
Lending Program	-Lending to support regional cooperation and integration			
Regional Development Goals	-Trade openness (trade as percent of GDP) -Intraregional trade in LAC as percent of total merchandise trade			
Bank Output Contribution (as defined in Results Framework of IDB-9)	-Number of public trade officials and private entrepreneurs trained in trade and investment -Regional and sub-regional integration agreements and cooperation initiatives supported -Number of cross border and transnational projects supported (infrastructure and customs, etc.)			
2. Country Strategy Development Objectives		Aligned		
Country Strategy Results Matrix	GN-2668	Deepen reforms to improve the business climate.		
Country Program Results Matrix		The intervention is not included in the 2015 Operational Program.		
Relevance of this project to country development challenges (If not aligned to country strategy or country program)				
II. Development Outcomes - Evaluability		Evaluable	Weight	Maximum Score
		8.3		10
3. Evidence-based Assessment & Solution		8.4	33.33%	10
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		8.5	33.33%	10
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		0.0		
4.5 Sensitivity Analysis		1.5		
5. Monitoring and Evaluation		7.9	33.33%	10
5.1 Monitoring Mechanisms		1.5		
5.2 Evaluation Plan		6.4		
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: Information System, Shopping Method.		
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	Yes	Mainly, the difference in differences methodology will be used. As mentioned in the Monitoring and Evaluation Annex, with the exception of a study carried out by INT in Costa Rica, which focuses on exports, there are virtually no impact evaluations concerning single windows. The proposed analysis will generate knowledge about the single window's effect on imports of firms from another subregion.		

The main objective of the project is to improve the competitiveness of the trade sector in Peru. The specific objectives are to: (i) optimize foreign trade procedures; (ii) reduce the time and transaction costs incurred by exporters and importers; and (iii) provide exporters, importers and service companies related to foreign trade information about services and standards for foreign trade operations.

The project presents a complete diagnosis, however it lacks empirical evidence coming from impact evaluations to justify its effectiveness in terms of the impacts and results proposed. In terms of the results matrix, all indicators reported are SMART and have means of verification. The economic analysis of the operation could have provided more details on some of the assumptions made. The monitoring plan is solid, but the costs of outputs are not fully consistent with the outputs reported in the results matrix. The evaluation plan proposes using a quasi-experimental approach with a difference-in-differences method.

In terms of additionality, given that there is little evidence on the effectiveness of similar interventions, it is considered that the proposed impact evaluation methodology will help to close knowledge gaps, particularly regarding the impacts on reduced processing times. The risks identified are sound and include mitigation measures and metrics for monitoring.

**Improvement of Foreign Trade Facilitation Services through the Single Window (VUCE)**  
**Stage Two – San Isidro – Lima – Lima**  
**(PE-L1159)**  
**Results Matrix**

Program objective	The general objective of the project is to help to make the Peruvian tradable sector more competitive so that foreign trade agents have competitive operating costs. The specific objectives are to: (i) streamline the processes and simplify the foreign trade procedures required by the control entities and other government agencies; (ii) reduce transaction times and costs for exporters and importers; and (iii) provide exporters, importers, and foreign trade-related service companies with information on services and regulations for foreign trade transactions.			
Expected impact				
Impact	Indicator	Baseline	Target (2021)	Means of verification
Make the sector more competitive by reducing the transaction costs associated with foreign trade	Trading Across Borders rank, Doing Business Report, World Bank	Ranked fifty-fifth in Doing Business Report 2015 - Trading Across Borders, World Bank	Ranked fifty-second in Doing Business Report 2021 - Trading Across Borders, World Bank	2021 measurement, Doing Business Report
Expected outcomes				
Outcome	Indicator	Baseline	Target (2021)	Means of verification
Reduction in the average number of days it takes to process foreign trade transactions	Average number of days needed to complete formalities and obtain permits through the VUCE	8.38 days average processing time 2014	6.38 days average processing time	Data extracted from VUCE
Reduction in the average logistics costs <sup>1</sup> of foreign trade transactions	Percentage by which average logistics costs are higher than in OECD countries  $\left(\frac{\textit{Average logistics costs in Peru}}{\textit{Average logistics costs in OECD countries}}-1\right)*100$	On average, 40% higher than in OECD countries	On average, 30% higher than in OECD countries	World Bank study <sup>2</sup>

<sup>1</sup> These logistics costs primarily include the following categories: formalities and certification, transportation, inspections, loading and unloading, interagency coordination, and port processes.

<sup>2</sup> The World Bank is currently conducting a study, Performance Evaluation of Production Chains and Logistics Costs in Peru, which examines the principal logistics costs in the main agroindustrial production chains. The baseline was determined on the basis of the work completed on this study as of June 2015.

Output indicators	Unit of measure ment	Base-line	2015	2016	2017	2018	2019	End target	Means of verification
<b>Component I: Simplification of foreign trade processes and procedures</b>									
New flowchart of foreign trade processes agreed upon by the private and public sectors	Number	0	0	1	0	0	0	1	Execution unit report
Workshops	Number	0	0	2	1	0	0	3	Execution unit report
Data standardization proposal agreed upon by the control entities	Number	0	0	1	0	0	0	1	Execution unit report
Risk control and management instruments designed and implemented at the control entities	Number	0	0	0	1	0	0	1	Execution unit report
<b>Component II: Design and launch of VUCE 2.0</b>									
New VUCE 2.0 technology platform operational, containing new and modern functionalities	Number	0	0	0	0	0	1	1	VUCE 2.0 portal
Control entities have the new software and hardware infrastructure needed to connect to VUCE 2.0	Number	0	0	1	1	1	1	4	Execution unit report
Software for interoperability with other single windows operational	Number	0	0	0	1	0	0	1	Execution unit report and VUCE 2.0 portal
Information system for the special processing zones designed and operating	Number	0	0	0	0	0	1	1	Execution unit report

Output indicators	Unit of measurement	Base-line	2015	2016	2017	2018	2019	End target	Means of verification
Number of regional and subregional integration agreements and cooperation initiatives supported	Agreements	0	0	0	0	0	3	3	Trade agreements in effect under which Peru made trade facilitation commitments
<b>Component III: Foreign trade information services</b>									
Information systems for logistics and foreign trade services (specialized logistics portal, phytosanitary traceability system, system of foreign trade regulations, PENX system, and Marketplace platform) designed and operational	Number	0	0	0	2	2	1	5	Information systems portal
Callao port community system in operation	Number	0	0	0	0	1	0	1	PCS website
Software to analyze and consult indicators and VUCE statistical information in operation	Number	0	0	0	0	0	1	1	Execution unit report
Software to manage business resources for SMEs designed and operational	Number	0	0	0	1	0	0	1	VUCE 2.0 portal, SME module
Website containing bank of export projects available	Number	0	0	0	0	1	0	1	VUCE 2.0 portal
E-learning and training programs for private users and control entities implemented	Number	0	1	1	1	1	1	5	Execution unit report
System for building customer loyalty in operation	Number	0	0	0	0	0	1	1	VUCE 2.0 portal
Strategy on induction into	Number	0	0	0	1	0	0	1	Execution unit report

Output indicators	Unit of measurement	Base-line	2015	2016	2017	2018	2019	End target	Means of verification
the use of VUCE services designed									
<b>Component IV: Knowledge transfer and change management</b>									
Knowledge transfer and best practices activities carried out	Number	0	0	1	1	1	0	3	Execution unit report
Number of business people and/or public officials benefited through technical assistance and training in trade and investment	Women	0	0	20	80	120	80	300	Execution unit report
	Men	0	0	20	80	120	80	300	
Change management strategy designed	Number	0	0	0	1	0	0	1	Execution unit report
Dissemination activities in social media on VUCE and its benefits implemented	Number	0	0	1	2	2	1	6	Execution unit report
Publicity campaigns implemented	Number	0	0	0	1	1	0	2	Execution unit report

## **FIDUCIARY AGREEMENTS AND REQUIREMENTS**

**Country:** Republic of Peru

**Program number:** PE-L1159

**Name:** Improvement of Trade Facilitation Services through the Single Window (VUCE). Stage Two – San Isidro – Lima – Lima

**Prepared by:** Allizon Milicich Nieto-Polo and Ariel Rodríguez

### **I. EXECUTIVE SUMMARY**

- 1.1 The country's financial administration systems are effective and reliable. The country procurement system is currently not being used for any type of procurement under loans financed by international lending agencies. However, the document "Acceptance of the Partial Use of the Country Procurement System in Argentina, Bolivia, Costa Rica, El Salvador, Jamaica, Panama, Paraguay, and Peru. Revised version" (document GN-2538-11) approved the use of the subsystems for reverse auctions and electronic catalogs of framework agreements under Peru's public procurement system. Their use will be included in the procurement plan for the project once the implementation phase for the foregoing subsystems has been completed.

### **II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY AND THE EXECUTION UNIT**

- 2.1 The borrower will be the Republic of Peru. The executing agency will be the Ministry of Foreign Trade and Tourism (MINCETUR), which will operate through a project execution unit with administrative, economic, and financial autonomy for project execution. The execution unit will be responsible for the strategic management and fiduciary execution of the project and will be in charge of administration, finance, accounting, and coordination of technical issues. The project will also have a working group ("project technical committee") made up of a representative from the Ministry of Economy and Finance, and two from MINCETUR, in order to monitor the execution unit with respect to the strategic aspects of the project. This group's specific functions will be set forth in the project's Operating Manual. The project execution unit will maintain the necessary technical staff, including: (i) a general project coordinator, in accordance with the terms of reference agreed upon in advance between the Bank, the Ministry of Economy and Finance, and the executing agency; and (ii) a procurement specialist, an administrative and accounting management specialist, a budget specialist, and a treasury specialist. Another procurement specialist will also be an integral part of the execution unit, as will a monitoring, evaluation, and control specialist, a legal advisor, and four technical specialists in the areas of technology infrastructure, information systems, process redesign, and organizational development and change management, who will be hired

subsequent to the first disbursement under terms previously agreed upon with the Bank.

- 2.2 The fiduciary situation was evaluated on the basis of a risk assessment exercise conducted with the participation of MINCETUR and the Bank, a review of the institutional and fiduciary capacity assessment of MINCETUR, meetings with key staff at the entities, and meetings with the project team.

### **III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS**

- 3.1 As a result of the risk assessment exercise performed during the project design stage, the fiduciary risk in financial management and procurement was determined to be medium.

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

- 4.1 Special contractual conditions precedent to the first disbursement. The executing agency will present evidence, to the Bank's satisfaction, that the project execution unit has been created, with the necessary technical staff, including the general project coordinator, in accordance with the terms of reference previously agreed upon between the Bank, the Ministry of Economy and Finance, and the executing agency.
- 4.2 Audited annual and final financial statements, with specific terms of reference acceptable to the Bank, will be presented within 120 days following the end of each fiscal year of the executing agency during the original disbursement period and any extensions thereof. The final audit report will be presented within 120 days following the end of the original disbursement period or any extensions thereof.
- 4.3 The equivalence of the disbursement currency or approval currency of an eligible expense incurred in the borrower's local currency will be determined for accounting and expense justification purposes by using the exchange rate in effect on the date on which the approval currency or disbursement currency is converted to the borrower's local currency (section 4.10(b)(i) of the General Provisions of the loan contract). The agreed-upon exchange rate to be used for determining the equivalence of expenses incurred in local currency and chargeable to the local contribution or of expense reimbursements chargeable to the loan proceeds will be the exchange rate in effect on the last business day of the month preceding the month in which the borrower, the executing agency, or any other legal entity or individual that has been delegated the authority to incur expenses makes the respective payments to the contractor, provider, or beneficiary.

### **V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION**

- 5.1 The fiduciary agreements and requirements for procurement execution establish the provisions to be applied to the execution of all procurement planned under the project.

- 5.2 **Procurement execution.** Procurement required under the project will be carried out in accordance with the Policies for the procurement of works and goods financed by the IDB, of March 2011 (document GN-2349-9) and the Policies for the selection and contracting of consultants financed by the IDB (document GN-2350-9).
- 5.3 **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 (ICB) will be executed using the Bank's standard bidding documents (SBDs). Tenders subject to national competitive bidding (NCB) will be executed using country bidding documents agreed upon with the Bank (or satisfactory to the Bank, if not yet agreed upon). The project's sector specialist will be responsible for reviewing the technical specifications for procurement during preparation of the procurement processes.
- 5.4 **Selection and contracting of consultants.** Consulting service contracts arising under the project will be executed using the standard request for proposals (RFP) issued by the Bank or agreed upon with the Bank, regardless of the amount of the contract (or satisfactory to the Bank if not yet agreed upon). The project's sector specialist is responsible for reviewing the terms of reference for consulting service contracts.
- 5.5 **Selection of individual consultants:** Such selection 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.
- 5.6 The threshold amount determining the use of international competitive bidding will be posted for the borrower's information, through the executing agency, at the webpage [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, and this will be reflected in the procurement plan approved by the Bank.
- 5.7 **Ex ante procurement review.** The Bank will review the selection and procurement processes as set forth in the procurement plan. At any time during project execution, the Bank may modify the review modality for these processes, by providing advanced notice thereof to the borrower or the executing agency. Any changes approved by the Bank will be reflected in the procurement plan.
- 5.8 **Domestic preference.** No domestic preference margins will apply.
- 5.9 **Use of the national procurement system.** In view of Board approval of the use of the subsystems for reverse auctions and framework agreements in Peru, the foregoing subsystems will be used once the respective implementation agreement, including the provisions set forth therein, has been signed and the procurement plan has been amended accordingly.
- 5.10 **Initial procurement plan.** See the detailed [procurement plan](#) for the first 18 months.
- 5.11 The borrower will publish the procurement plan in the Procurement Plan Execution System (SEPA) and will update it at least semiannually or as required

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



by the Bank to reflect the actual project execution needs and the progress achieved.

- 5.12 **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 consultants or external auditors. 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>
- 5.13 **Records and files.** Files are to be kept in the offices of the execution unit under conditions that ensure the integrity and security of the documents.

## **VI. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS**

- 6.1 **Programming and budget.** The viability of expenses related to activities planned under the project that may be financed with loan proceeds and the local contribution will have been assessed in the context of the National Public Investment System of the Republic of Peru. Preparation of the annual programming and budget will be based on the provisions of the Public Budgeting Bureau of the Ministry of Economy and Finance (MEF). The Investment Policy Bureau, in coordination with the General Office for Planning, Investments, and Budget, will draw up the project's annual budget based on the project's disbursement schedule and will set and agree on priorities for external financing under the project. The budget will be operated under the integrated financial management system (SIAF). The project's budget will be approved by the MEF and the Peruvian Congress, reported annually to the Bank, and reflected in the SIAF, for commitments under the project. The executing agency/ execution unit will have budget autonomy in executing the project. The multiyear project execution plan (PEP) will be prepared, and the annual budget will be prepared on this basis.
- 6.2 **Accounting and information systems.** The project will use the SIAF's project execution module for accounting and reporting during execution, as this module offers transparency and specific controls on budget execution. The module allows project accounting to be reported and issues 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.
- 6.3 Annual audited financial statements will be required for project supervision, including: a cash flow statement, a statement of cumulative investments, and the notes to those financial statements; a management (executing agency/execution unit) representation letter; and an evaluation of the internal control system.
- 6.4 **Disbursements and cash flows.** The project will use the country's treasury system, following the directives issued by the National Debt and Treasury Office (DNET). Expenditures are subject to the budget and financial execution process,

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<sup>2</sup> Once the reverse auction and framework agreement subsystems have been put to 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.

and data on their formalization under the rules applicable to each of the stages (committed, due, issued, and paid) will be reported in the SIAF's project execution module. The country treasury system is still not fully based on a single account system, and therefore a special bank account will be opened to handle the funds from the loan.

- 6.5 Disbursements will be based on the project's actual liquidity needs (financial planning). The execution unit will submit disbursement requests to the Bank, together with a disbursement timeline by activities contained in the annual work plan for the next 180 days. At least 80% of disbursements will be justified in the next request, using the Bank's formats. The execution unit will present the financial plan for the project to the Bank, in accordance with Bank policies. The plan will reflect the disbursement schedule for the entire project.
- 6.6 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. Expenses that the Bank does not deem eligible will be repaid from the local contribution or other sources, depending on the nature of the ineligibility.
- 6.7 **Internal control and internal audit.** The control environment, control activities, communication and information, and monitoring of the activities of the executing agency/execution unit are governed by the country's regulations, which are based on the Law on the National Control System and the Office of the Comptroller General of the Republic.
- 6.8 The internal audit function in MINCETUR is carried out by the Internal Control Office (OCI). The staff of that office reports to the Office of the Comptroller General of the Republic (CGR). The scope of the work of the OCI does not generally extend to projects, but the OCI will receive copies of the external auditor's reports through the Sistema de Auditoría Gubernamental [Government Audit System] (SAGU) (designed by the CGR), which it can use for inspection activities, depending on the time and resources it has available.
- 6.9 **External control and reports.** The CGR, as the lead agency in the National Control System, outsources external audits of projects to independent audit firms (IAFs) acceptable to the Bank. Eligible IAFs are evaluated periodically by the Bank to ensure that their quality is high. The CGR authorizes the executing agency/execution unit to select and contract an IAF in accordance with Bank policies for the entire project execution period, including extensions of the final disbursement period.
- 6.10 Given the complexity of the project due to the diversity of tasks required under the various project components and the need for a high level of administrative and technical coordination, it will be necessary to select a tier I or tier II IAF.
- 6.11 The cost of the external audits will be covered from the loan proceeds and is estimated to be US\$350,000 for the five years of project execution.
- 6.12 **Financial supervision plan.** Financial supervision may be adjusted based on the execution of the disbursement schedule and the external audit reports.

**Table VI.1. Supervision plan**

Supervisory activity	Nature and scope	Frequency	Responsibility	
			Bank	Third party
Operational	Inspection visit / Review of project scope	Annual	Fiduciary and technical team	-
	Review of the portfolio with the executing agency and the MEF	Semiannual	Fiduciary and technical team	MEF
Financial	Ex post review of disbursements	2/3 times a year	Fiduciary team	External auditor
	Financial audit	Annual	Fiduciary team	External auditor
	Review of disbursement requests and attached reports	2/3 times a year	Fiduciary team	-
	Inspection visit / analysis of internal controls and the control environment at the executing agency	Annual	Fiduciary team	-
Compliance	Annual allocation of the budget needed for project execution	Annual	Fiduciary team	Executing agency
	Submission of financial statements	Annual	Fiduciary and technical team	External auditor/ executing agency
	Conditions precedent to the first disbursement	Once	Fiduciary and technical team	-

- 6.13 **Execution arrangements.** According to the institutional and fiduciary capacity assessment, the executing agency has limited experience in the management of resources originating in external debt. Consequently, its current organizational structure provides restricted execution capacity in accordance with the rules and procedures of international lending agencies. Furthermore, its General Administration Office basically executes recurrent expenses in goods and services and payrolls in accordance with domestic regulations.
- 6.14 In view of the foregoing, and in the framework of the Proposal for Operation Development (POD), there is a need to create an execution unit responsible for the strategic and operational management of the project and for its administrative and financial execution. In addition, this execution unit should have sufficient technical, administrative, and financial autonomy to perform the actions required for proper execution of the loan in accordance with the Bank's rules, procedures, and policies (planning and budget, procurement, financial management, monitoring and supervision, and internal control actions, high-level coordination with the parties involved, etc.).
- 6.15 Moreover, because of the nature and complexity of the operation, the staff in charge of fiduciary management of the project should have extensive experience in government and, in particular, in the management of projects financed by international lending agencies.
- 6.16 The executing agency/execution unit will be required to execute the project in accordance with a project Operating Manual satisfactory to the Bank, which will

include, without limitation, the main internal control processes in order to ensure that the controls are operating properly. Accordingly, the project Operating Manual should primarily: (i) clearly identify the roles, duties, and responsibilities of the parties involved in order to facilitate coordination among them; and (ii) identify the fiduciary process flows in terms of financial management and procurement, as well as the interaction of the executing agency with the parties involved.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/15

Peru. Loan \_\_\_\_/OC-PE to the Republic of Peru  
Improvement of Foreign Trade Facilitation Services  
through the Single Window (VUCE).  
Stage Two - San Isidro - Lima - Lima

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 for the improvement of foreign trade facilitation services through the single window (VUCE). Stage Two - San Isidro - Lima - Lima. Such financing will be for the amount of up to US\$20,000,000 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 \_\_\_\_\_2015)