



Board of Executive Directors

For consideration

On or after: 26 May 2010

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To: The Board of Executive Directors
From: The Secretary
Subject: Peru. Proposal for a loan for the “Program to Enhance Productivity and Competitiveness I”

Basic Information: Loan type Programmatic Policy Based Loan (PBP)
Borrower Republic of Peru
Amount up to US\$50,000,000
Source Single Currency Facility of the Ordinary Capital

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Remarks: This operation is the first loan in a programmatic series of three consecutive single-tranche operations, technically related to one another but independently financed as programmatic policy based loans, in accordance with document CS-3633.

As established in document GN-1838-1, "Criteria and norms for Board and Management relations", dated 1 July 1994, policy-lending operations are considered by the Board of Executive Directors by Standard Procedure.

Reference: GN-1838-1(7/94), DR-398-5(5/03), GN-2200-13(4/05), CS-3633(4/05), CS-3876(5/10), CS-3877(5/10)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PERU

**PROGRAM TO ENHANCE PRODUCTIVITY AND
COMPETITIVENESS I**

(PE-L1076)

LOAN PROPOSAL

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ELECTRONIC LINKS	
REQUIRED	
1. Policy Letter	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35167278
2. Means of Verification	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35069715
3. Results Matrix	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35071129
OPTIONAL	
1. Safeguard Screening Form	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2154400
2. Competitiveness Plan for Improving the Business Climate	http://www.perucompite.gob.pe/index.php?option=com_docman&task=doc_download&gid=84&Itemid=6
3. Report 019-2009/INDECOPI: Committee on Bureaucratic Barriers for the Municipalities of Lima and Callao	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35072565
4. CEAL: “Perú: Diagnóstico y recomendaciones de mejora del sistema de garantías mobiliarias” [“Peru: Diagnostic Assessment and Recommendations for Improving the Secured Transactions System”] March 2009	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2016780
5. Consultants’ Report: “Mejoramiento de Cobertura, Periodicidad y Calidad de las Estadísticas Empresariales y Productivas en el Perú” [“Improving the Coverage, Periodicity, and Quality of Business and Productive Statistics in Peru”] Diagnostic Assessment and Action Plan	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35070576
6. Analysis of the National Quality System	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35070729
7. Consultants’ report: “Sistema de apoyo al desarrollo productivo” [“Support System for Productive Development”]	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35070841
8. Diagnostic report: “Fortalecimiento del Sistema Nacional de Ciencia, Tecnología e Innovación en el Perú.” [“Strengthening the National Science, Technology, and Innovation System in Peru”]	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=350705845
9. Project Completion Report for the Competitiveness Reform Program (PE-0239; loan 1503/OC-PE)	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1821482

ABBREVIATIONS

CNC	Consejo Nacional de Competitividad [National Competitiveness Council]
DNEP	Dirección Nacional de Endeudamiento Público [National Public Debt Directorate]
FIDECOM	Fondo de Investigación y Desarrollo para la Competitividad [Research and Development for Competitiveness Fund]
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit [German Agency for Technical Cooperation]
INDECOPI	Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual [National Competition and Intellectual Property Protection Institute]
INEI	Instituto Nacional de Estadística e Informática [National Statistics and Informatics Institute]
MEF	Ministry of Economy and Finance
PEPC	Program to Enhance Productivity and Competitiveness
PMM	Programa de Modernización Municipal [Municipal Modernization Program]
SMEs	Small and medium-sized enterprises
SNC	Sistema Nacional de Calidad [National Quality System]
STI	Science, technology, and innovation
SUNARP	Superintendencia Nacional de Registros Públicos [National Superintendency of Public Registries]
UCPS	Unidad de Coordinación de Préstamos Sectoriales [Sectoral Loan Coordination Unit]
USAID	United States Agency for International Development
VUCE	Foreign Trade Single Window
WEF	World Economic Forum

PROJECT SUMMARY

PERU PROGRAM TO ENHANCE PRODUCTIVITY AND COMPETITIVENESS I (PE-L1076)

Financial Terms and Conditions				
Borrower: Republic of Peru Executing agency: Ministry of Economy and Finance (MEF)			Amortization period:	20 years
			Grace period:	5 years
			Disbursement period:	12 months
			Interest rate:	LIBOR-based
Source	Amount (US\$ million)	%	Inspection and supervision fee:	*
IDB (Ordinary Capital)	50	100	Credit fee:	*
Total	50	100	Currency:	U.S. dollars from the Single Currency Facility of the Bank's Ordinary Capital
			Option to convert to Peruvian nuevos soles:	Local Currency Facility
Project at a glance				
Project objective and description: The general objective of the program is to help enhance business productivity and competitiveness, by improving the business environment, strengthening institutions, policies, and instruments for competitiveness, and supporting productive development and innovation. The objective of this first operation is to support the implementation of government-initiated reforms targeting the business environment and embark on processes to improve the institutional framework for supporting competitiveness and the diagnostic assessment and consensus-building processes for new areas of reforms that will help enhance business productivity and competitiveness.				
Special contractual clauses: Resource disbursement is subject to compliance with the policy reform commitments, in accordance with Section A of Chapter III; Annex II, Policy Matrix; the Means of Verification Matrix; and the Policy Letter (paragraph 3.1).				
Exceptions to Bank policies: None.				
Project consistent with country strategy: Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]				
Project qualifies as: SEQ [<input type="checkbox"/>] PTI [<input type="checkbox"/>] Sector [<input type="checkbox"/>] Geographic [<input type="checkbox"/>] Headcount [<input type="checkbox"/>]				

* 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 the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. CONTEXT

A. Program context

- 1.1 This document presents the first loan operation in a programmatic series of three consecutive single-tranche operations, technically related to one another but independently financed as policy-based loans (PBLs), in accordance with documents CA-450-1 and CS-3633. This first operation is the framework document for the programmatic series.¹ To assist the design and implementation of the reforms in the programmatic series, the MEF requested Bank support through the Institutional Development Sector Facility (loan 2303/OC-PE; PE-L1088), Support for the Program to Enhance Productivity and Competitiveness, for US\$5 million, which was approved in early March 2010.
- 1.2 The objective of the Program to Enhance Productivity and Competitiveness (PEPC) is to increase business productivity and competitiveness by improving the business environment, strengthening institutions, policies, and instruments for competitiveness, and supporting productive development and innovation. The PEPC was prepared by means of a structured process that entailed an analysis of the sector's problems, dialogue, consultation, and consensus-building with the main stakeholders regarding the assessment and the action to be taken.

B. Macroeconomic framework

- 1.3 A stable macroeconomic context conducive to private investment, the implementation of a series of structural reforms, and a favorable external environment with high prices for the country's main export products fueled a high rate of economic growth in Peru until 2008. Over the 2002-2007 period, average annual growth stood at 6.2%, reaching 9.8% in 2008, the highest rate recorded since 1994. Traditional exports grew in nominal terms at an average annual rate of 27% over the period 2002-2008, with nontraditional exports rising by 20%. The economic boom was accompanied by job creation and expanding private investment, which grew an annual average of 25% over 2006-2008, reaching 21.4% of GDP in 2008. Over 2002-2007, this growth came mainly from increased capital accumulation, while the gains in total factor productivity contributed only 1%. At the same time, Peru has negotiated various international trade agreements with the United States, China, Chile, Canada, the European Union, and the European Free Trade Association, and is negotiating further pacts with Japan, South Korea, and other countries. The trade agreement with the United States came into force in February 2009; the one with China came into effect in March 2010; and the one with the European Union is expected to take effect in 2012.
- 1.4 In 2009, the adverse international context and the change in business owners' expectations had a negative impact on the rate of economic growth and job creation. Although positive growth of around 1.1% was attained in 2009, economic activity slowed due to falling domestic demand, shrinking private investment, and

¹ Subsequent operations are programmed for 2011 and 2012, respectively, for US\$50 million each.

inventory reductions, particularly in the manufacturing sector. To alleviate the impact of the international financial crisis, the Government of Peru implemented countercyclical policies through expansionary monetary policy and an Economic Stimulus Plan (3% of GDP to be executed over the 2009-2010 period), chiefly targeting infrastructure projects and support for vulnerable sectors of the population. As a result of this increased spending and the drop in tax revenues, the public sector nonfinancial balance went from a surplus of 2.1% of GDP in 2008 to a 2% deficit in 2009; this was accompanied by a slight increase in external public debt, which edged up from 15.1% of GDP in 2008 to 16.4% in 2009. Gradual economic recovery is expected for 2010 and 2011, with GDP projected to increase at an annual rate of 5.5% in both those years.

C. Diagnostic assessment of Peru's competitive position

- 1.5 The 2009-2010 Global Competitiveness Index, calculated by the World Economic Forum (WEF), ranks Peru 78th out of 131 countries, up five positions from the 2008-2009 index. In spite of this slight improvement in Peru's competitive position, the main factors restricting the country's competitiveness continue to be the low quality of the institutional framework, weaknesses in infrastructure, and shortcomings in the areas of innovation and business sophistication [www.weforum.org].
- 1.6 To tackle those challenges, in recent years the country has made notable progress in implementing microeconomic reforms to improve the business environment and the regulatory framework that support competitiveness.² In spite of this progress, the complexity and broad scope of several of the regulatory and institutional reforms undertaken has indicated the need for work to continue on consolidating and furthering them. At the same time, lower transaction costs, while desirable, will not offset the constraints faced by companies, particularly the smallest businesses, in enhancing their levels of productivity and competitiveness and taking advantage of the new free trade agreements that the country has signed. To be successful in implementing a long-term sustainable growth strategy based on increased total factor productivity with diversification of factors, the creation of opportunities in the country's regions, and adding value and knowledge, the country must also invest in developing instruments that can support the increased sophistication of new market penetration strategies, business management, productive processes, and the introduction of innovations at the company level. Those aspects are analyzed below.

1. Business environment

- 1.7 Peru saw a major improvement over last year's result on the World Bank's Doing Business index, which measures the ease with which business can be conducted in

² In 2008, the Interministerial Committee for the Implementation of Trade Agreements and Support for Economic Competitiveness, with powers delegated by Congress, legislated a range of competitiveness-related topics, including trade facilitation, administrative streamlining, promoting private investment, and encouraging technological innovation and quality.

183 countries: Peru rose from 65th position in 2009 to 56th in 2010. The challenges that remain are related to time and cost over-runs that companies face in starting and closing a business, dealing with construction permits, paying taxes, employing workers, trading across borders, and enforcing contracts. The elements on which priority was placed in the 2009-2011 Plan of Action for Enhancing the Business Climate,³ which was launched by the MEF in July 2009 and will receive support through the PEPC, are outlined below.⁴

- 1.8 **Starting a business.** In Peru, the procedures for starting a company as measured by the 2010 Doing Business index—including registration, incorporation, and securing an operating license—involve nine steps, 41 days, and cost 17.2% of the per capita income, placing Peru in the 112th spot in the ranking. The main delays are in obtaining municipal licenses, safety inspections by the National Civil Defense Institute (INDECI), and notarial formalities related to starting a company. In spite of the progress made with the enactment of the Operating License Act (Law 28976) and the successful implementation of administrative streamlining processes in various municipalities for issuing operating licenses, a recent report by the Government of Peru indicates that compliance with Law 28976 remains low: 40% of municipalities currently have requirements in addition to those stipulated by the law.⁵
- 1.9 **Construction permits and property registration.** The time and cost needed for an investment involving new construction in Peru are substantially higher than in other countries. Peru ranks 116th on the Doing Business index, with 21 steps that take 205 days and cost 130% of per capita income. Some of the main delays and costs in obtaining construction permits are related to project licenses for new buildings, which are issued by the municipalities, and obtaining the building declaration from the National Superintendency of Public Registries (SUNARP). In addition, registering and transferring real estate in Peru suffer from delays related to obtaining property registration certificates and registering property deeds with SUNARP: a simple sales agreement for a piece of land and a building takes 14 days and costs 3.3% of the property's value.
- 1.10 **Municipal Modernization Program (PMM).** The PMM is an instrument that encourages the implementation of reforms for enhancing competitiveness in local governments. It was created by the 2010 Public Sector Budget Act (Law 29465) to complement the Plan for Incentives to Improve Municipal Management (created by Law 29332 of 2009). These two instruments, which will begin to be implemented in 2010, seek to ensure the sustainable growth and development of local economies

³ Competitiveness Plan for Improving the Business Climate.

⁴ The government is working with the International Finance Corporation/World Bank on: closing a business, paying taxes, and enforcing contracts and has chosen for the moment not to deal with labor reforms in the context of the Plan for Improving the Business Climate.

⁵ [Report 019-2009/INDECOPI-Committee on Bureaucratic Barriers for the Municipalities of Lima and Callao.](#)

through financial self-sustainability and improving priority outcomes at the local government level. The operating mechanism involves transferring resources to the municipalities as progressive targets are met, along with a technical assistance program for municipalities with less capacity. The PMM emphasizes efforts in the areas of financial management and business climate improvements, with the latter including streamlined procedures for obtaining operating licenses and building permits. In 2010 the allocated budget was 600 million nuevos soles, and it is to run until 2013.

- 1.11 **Customs and trade facilitation.** Along with its recent negotiation of various free trade agreements, Peru has stepped up its reform efforts in the area of trade facilitation. Its recent achievements include the preparation of a Trade Facilitation Master Plan, the start of development of a Foreign Trade Single Window (VUCE), formalized through Legislative Decree 1036, the introduction of an Authorized Economic Operator Program, along with other measures in line with international best practices for trade facilitation. The remaining challenges are related to the implementation and scaling up of actions in areas such as the Foreign Trade Single Window, which currently applies partially to a group of products and a limited number of institutions; advance shipments and the application of guarantees on merchandise shipments for their swift egress from customs facilities; improved risk assessments in order to reduce physical inspections and ensure due oversight, extending those tasks to other border control agencies; and other facilitation actions agreed on in international conventions and in the Customs Act.
- 1.12 **Secured transactions system.** Although the Secured Transactions Act (Law 28677), passed in 2006, was a step forward in defining a comprehensive legal framework for secured transactions, a recent study identified several factors relating to the establishment, registration, precedence, and disclosure of secured transactions that have limited the economic impact of the reform;⁶ these include: (i) the implementation of a legal register with legal controls instead of an informational system that simply records the true date of the act and sets the order of precedence of guarantees; (ii) lenders and authorized users not being able to enter remote records directly; and (iii) the requirement that private information be recorded in the register entry, which discourages its use and restricts public access to it. In addition, records have a high number of observations and rejections, which delays the process and points to a scant understanding of the concepts set forth in the law. The government has set up a Temporary Multisectoral Commission, chaired by the Ministry of Justice and including representatives from the MEF, SUNARP, the Superintendency of Banking, Insurance, and Pension Fund Management Companies (SBS), and other agencies, to prepare a proposal for reforming the secured transactions system.

⁶ [CEAL “Perú: Diagnóstico y recomendaciones de mejora del sistema de garantías mobiliarias” \[“Peru: Diagnostic Assessment and Recommendations for Improving the Secured Transactions System”\] March 2009.](#)

2. Institutions and instruments for competitiveness

- 1.13 A company's competitiveness does not only depend on macro- and meso-contextual conditions and on the state of the international market; it also depends on its behavior, on its having a strategic vision that enables it to take advantage of favorable conditions and overcome barriers to business and market entry, on its ability to secure dynamic competitive advantages by cooperating with other companies and institutions, and on its possibilities for accessing effective support services for business development and enhanced productivity and competitiveness. As part of the analysis carried out by the Bank and the government, five priority areas for improving the competitiveness support system were identified:
- 1.14 **Public-private dialogue and strategic vision for competitiveness.** International experience indicates that one key element that facilitates reform processes is the existence of a forum for consensus-building with the private sector that helps to identify and prioritize reforms for building a country's competitiveness. However, such forums face challenges in their ability to prepare and show results on ambitious, wide-ranging agendas and to maintain the permanent interest of public and private stakeholders. The government is currently reviewing the National Competitiveness Council's (CNC) institutional arrangement to redefine its institutional framework, role, and functions in light of the stakeholders' current needs and the lessons learned from the CNC's experiences in recent years.
- 1.15 **Statistical data for designing and evaluating productivity support policies.**⁷ The restrictions related to the quality and use of business statistics detected in the National Statistics System include: (i) methodological shortcomings in the National Statistics and Informatics Institute (INEI), related to directories, questionnaires, the definition of sample frameworks and sample design, nomenclature, and the absence of a unit for defining standards for different data collection and processing operations; (ii) the limited use and dissemination of data from the Annual Economic Survey; (iii) a lack of coordination among stakeholders; and (iv) weaknesses in the human resources of INEI and most of the sectoral statistics offices. The recent production of the Fourth National Economic Census offers an opportunity for strengthening the production of business statistics in a way that addresses the demands for information for designing, monitoring, and evaluating public policies that support productivity.
- 1.16 **National Quality System.**⁸ The development of standards allows the interoperability of processes and products, guarantees a minimum level of quality and safety, and generates economies of scale through task reduction; this has a

⁷ Consultants' Report, "Mejoramiento de Cobertura, Periodicidad y Calidad de las Estadísticas Empresariales y Productivas en el Perú" ["Improving the Coverage, Periodicity, and Quality of Business and Productive Statistics in Peru"] *Diagnostic Analysis and Action Plan*, October 2009.

⁸ One of the main problems has to do with the lack of international recognition for the national accreditation agency. Consultants' report: *Diagnóstico del Sistema Nacional de Calidad* [[Diagnostic Assessment of the National Quality System](#)], Ricardo Visiers, 2009.

positive impact on the usage and development of networks, productive efficiency, the dissemination of technology and innovation, the reduction of imperfect information, and the promotion of competition. The four basic pillars of a national quality system—which include (i) metrology, (ii) preparation of standards (technical rules and regulations), (iii) accreditation, and (iv) compliance assessments—display significant weaknesses in Peru in terms of coordination, infrastructure, coverage, and institutional and regulatory frameworks. Consequently, the ability of the country's companies, particularly the smallest ones, to certify that their products and services comply with international standards, patterns, and requirements is limited, and many products sold on the domestic market are not subject to oversight or evaluated to guarantee consumers their quality, safety, or compliance with such basic considerations as weight, measurements, or labeling.

- 1.17 **Business development support system.**⁹ The main limitations related to business behavior identified by the WEF have to do with Peruvian companies' limited capacity to innovate in their processes and products, together with weaknesses related to their operational and strategic management and the quality of their productive networks and linkages. In addition, the institutional framework for supporting business development in Peru is embryonic. Most interventions are fragmented and disconnected, with budget constraints (except in the agricultural sector) and limited scopes; some also have weaknesses in their design, execution mechanisms, and monitoring and evaluation systems. In the system, programs are also quite scattered, with several executing agencies for similar, relatively small interventions (less than US\$3 million), deficiencies in the targeting of interventions (for example, the failure to differentiate programs with social aims from those that pursue enhanced competitiveness), and some gaps—for instance, in support for the emergence and development of new sectors in areas where the country enjoys comparative advantages (i.e., services and inputs for mining, fisheries and aquaculture, or agroindustry, to name a few) or sectors with higher levels of technological sophistication.
- 1.18 **Innovation support policies.** Peru lags far behind other countries in the region in the scientific and technological areas. Among the country's competitive disadvantages, the WEF identifies factors including the quality of its research institutes, the private sector's spending on research and development, the level of collaboration between companies and universities, and the availability of engineers and scientists.¹⁰ Thus, during 2004, public and private investment in this area was estimated at only 0.16% of GDP, which is well below the Latin American average (0.54%). In addition, although Peru enacted Framework Law 28303 creating the

⁹ Consultants' report: Sistema de apoyo al desarrollo productivo [[Productive Development Support System](#)] 2009.

¹⁰ Diagnostic report: Fortalecimiento del Sistema Nacional de Ciencia, Tecnología e Innovación en el Peru [[Strengthening the National Science, Technology, and Innovation System in Peru](#)], Francisco Sagasti (internal FINCYT), 2009. www.weforum.org.

National Science, Technology, and Innovation System, the system's components are weak and lacking interconnection.

D. Bank strategy in the sector

- 1.19 **Bank strategy and lessons learned.** Both this operation and the programmatic series are in line with the Bank's Strategy with Peru (2007-2011), which places priority on strengthening its foothold in the global economy and enhancing its competitiveness as the main engines of the sustained growth of the Peruvian economy and job creation by expanding access to international markets, diversifying the productive structure, and promoting investments and productivity in the private sector. This operation will take advantage of the lessons learned through the Competitiveness Reform Program (loan 1503/OC-PE) and other operations in this sector, including: (i) the need to prioritize a limited series of reforms as part of competitiveness programs to ensure the effectiveness and relevance of interventions; (ii) the importance of providing technical assistance for the policy reforms promoted by sectoral operations; and (iii) the importance of combining business environment reforms with other reforms in support of business development, with a long-term time horizon.¹¹
- 1.20 **Project strategy.** The complexity and broad scope of several of the regulatory and institutional reforms to support competitiveness that Peru has launched in recent years underscore the need for a long-term perspective in order to consolidate and further those processes and maximize the economic impact of the reforms. At the same time, the country still lags behind in the design and implementation of policies for narrowing productivity gaps, supporting productive diversification, and promoting business innovation in processes and products, which are essential elements in a strategy for sustainable long-term growth for the country based on adding value and knowledge and taking advantage of the free trade agreements that the country has signed. The PEPC's strategy is to focus reform efforts on two key issues for the country's competitiveness: consolidating reforms to support an improved business environment, and strengthening the institutional framework to support business development and competitiveness. This operation complements other Bank programs dealing with competitiveness factors that it does not cover, such as energy and transportation, market access, labor markets, taxation, government efficiency, modernization of the justice system, and decentralization.
- 1.21 The order of priority of the interventions has been established through a process of analysis and consultation with the main public and private stakeholders, based on the needs and challenges identified in the National Competitiveness Agenda, the Plan for Improving the Business Climate, and the measurements of competitiveness factors yielded by international indexes such as Doing Business and the WEF's Global Competitiveness Index. In addition, as part of the project preparation activities, the government has been given specialized technical support for developing reforms in such key areas as municipal modernization, trade facilitation,

¹¹ [Project Completion Report for the Competitiveness Reform Program \(PE-0239; loan 1503/OC-PE\).](#)

secured transactions, statistics, quality, productive development, and innovation. Through complementary operations (Sector Facility, Support for the Program to Enhance Productivity and Competitiveness, (loan 2303/OC-PE; PE-L1088) and Comprehensive Improvement of Peru's National Quality System (PE-T1211), in addition to others with a sectoral approach that are in execution), the plan is to continue supporting the design of the reforms provided for in the programmatic series, their implementation, and measurement of their results.

- 1.22 The government and the project team agreed that the programmatic approach was the best way to support this reform process, because: (i) the complexity of the institutional reforms included in the PEPC will require long time frames and intensive consensus-building for successful implementation; and (ii) some of the reforms are still at the initial development phase and consequently require flexibility in their definition and development.
- 1.23 **Coordination with other multilateral development agencies.** This operation is being coordinated with the Andean Development Corporation (chiefly as regards starting a business and the national quality system), GTZ (streamlining procedures and municipal management), the World Bank's International Finance Corporation (reforms for improving the business climate), and USAID's Competitive SME Program (starting a business).

II. THE PROGRAM

A. Objective and components

- 2.1 The PEPC's objective is to help enhance business productivity and competitiveness by improving the business environment, strengthening institutions, policies, and instruments for competitiveness, and supporting productive development and innovation. The objective of this first operation is to support the implementation of government-initiated reforms in the business environment and embark on processes to improve the institutional framework for supporting competitiveness and the diagnostic assessment and consensus-building processes for new areas of reforms that will help enhance business productivity and competitiveness.
- 2.2 The following paragraphs set out the objectives of the individual components, and the policy conditions for disbursement of the resources under this operation.
- 2.3 **Component I – Macroeconomic stability.** The objective of this component is the continued assurance of a macroeconomic context that is consistent with the PEPC's objectives and with the guidelines set forth in the sectoral policy letter, as indicated in the Independent Macroeconomic Assessment for Peru adopted by the Bank in February 2010.
- 2.4 **Component II – Business environment.** This component seeks to reduce the transaction costs companies face, by supporting the implementation and consolidation of reforms in areas such as starting and running companies, customs formalities, and the secured transactions system:

- 2.5 **Starting a business.** This subcomponent aims to reduce the time and cost of formalities for starting a business by streamlining and automating start-up requirements and reducing the formalities needed to obtain an operating license, including improving the efficiency of the safety inspection processes needed to obtain such licenses. To meet the objectives of the first operation, it is expected that there will be an optimized online computer platform in SUNARP for starting a business, operational in metropolitan Lima with at least 80% of notaries connected to it. To meet the objectives of the second and third operations, the online platform for starting a business, using electronic submissions (*partes electrónicas*), is expected to be implemented, aligned with the gains in strengthening the regulatory framework for electronic transactions, and its use expanded in the regions. In addition, progress is expected to have been made with the design and implementation of processes for improving the efficiency and efficacy of safety inspections.
- 2.6 **Property register and construction permits.** The objective of this subcomponent is to streamline procedures for obtaining property registrations and construction permits by simplifying and automating the process. For this first operation, it is expected that: (i) SUNARP will modernize the registration of simple real estate sales agreements and improve the standardization of contracts; (ii) Congress will have received a reform proposal to eliminate the registrar's obligation to verify tax payments; and (iii) Congress will have received a proposal for reducing the formalities and costs associated with obtaining construction permits. For the second and third operations, SUNARP is expected to have implemented the online registration service for simple real estate sales agreements, aligned with the gains in strengthening the regulatory framework for electronic transactions, expanded that service to cover other transactions, and made progress with reengineering the processes of the agencies involved in issuing construction licenses.
- 2.7 **Municipal modernization.** This subcomponent aims to help improve municipal formalities for starting and running companies as regards obtaining operating licenses and construction permits. For this first operation, the following are expected: (i) approval of the PMM, which establishes budgetary incentives related to fulfillment of municipal reform targets, including observance of the Framework Law on Operating Licenses (Law 28976) and the implementation of reforms to streamline formalities for obtaining operating licenses and construction permits; and (ii) the pilot version of the computer system for a streamlined issuance of operating licenses online in one of Lima's municipalities. For subsequent operations, the municipal governments are expected to have made progress with implementing simplification reforms related to operating licenses, safety inspections, and construction permits.
- 2.8 **Customs and trade facilitation.** With the objective of assisting trade facilitation by reducing times and costs, this subcomponent includes actions related to enhancing efficiency in foreign trade transactions involving the main institutions in charge of the key aspects of the logistics chain. For the first operation, the following

are expected: (i) regulations and procedures for express deliveries and for the guarantee system in the merchandise dispatch process; (ii) the pilot version of the Foreign Trade Single Window launched, for a limited group of goods and institutions, and the guidelines agreed on for expanding the Window's coverage in a second phase of the reform process; (iii) a cargo control system for incoming merchandise in operation, enabling goods to be dispatched within 48 hours of arriving at the customs facility; and (iv) the adaptation and introduction of a risk analysis system for the new 48-hour dispatch model. For subsequent operations, progress is expected with the implementation of the following systems: express deliveries, advance rulings, exit control to allow dispatch within 48 hours, and comprehensive risk analysis for all border control agencies. Progress is also expected with: the development of financial instruments for the guarantee system; the launch of the Certified Customs User Program, and the expansion of the Program to Enhance Productivity and Competitiveness (VUCE) in all formalities with agencies responsible for oversight of foreign trade.

- 2.9 **Secured transactions.** The objective of this subcomponent is to improve the effectiveness and efficiency of the processes whereby secured transactions are established, recorded, disclosed, and executed, supporting a transition to a notice registration system that would reduce times and cut costs, and help improve access to credit in the Peruvian financial system. For the first operation, the following are expected: (i) the presentation, by the Multisectoral Commission, of a proposal for reforming the secured transactions system; and (ii) implementation of improvements to the operation of SUNARP's Secured Transactions Register, including at the least the regulation of extrajudicial execution, the definition of the generic description of property offered as a security guarantee, and a decision to settle registration fees per contract instead of per item. For subsequent operations, progress is expected in regulating and implementing the reforms.
- 2.10 **Component III – Institutional framework and competitiveness support instruments.** This component includes reform measures for improving the coordination, effectiveness, and relevance of the productive support system, and for assessing and measuring its evolution and results. It includes the following subcomponents:
- 2.11 **Institutional framework for competitiveness.** This subcomponent aims to help consolidate the institutional framework for competitiveness, through the institutional restructuring of the CNC, supporting its strengthening and ongoing dialogue with the private sector. The objective of the first operation is to make progress with restructuring the CNC, with its transfer to the MEF and the reconstitution of its Board. For subsequent operations, there will be a competitiveness agenda, agreed on with the private sector and focused on reforms related to improving the business climate, productive development, innovation, and strengthening the national quality system; and progress will be made with implementing that agenda and consolidating the CNC.

- 2.12 **Business statistics.** The objective of this subcomponent is to enhance the quality of business-related statistical data in order to facilitate the design of policies and instruments to support productive development and the monitoring and measurement of their results and impact. For the first operation, the following are expected: (i) a three-year action plan agreed on by INEI and the Ministry of Production for strengthening business statistics, including actions for improving the dissemination and usage of data, a specialized survey on innovation, and other institutional strengthening measures; and (ii) a preliminary proposal for an Annual Economic Survey tabulation plan, drawn up by INEI. In subsequent operations, progress is expected in the dissemination of statistics and implementation of the action plan, including the regulatory reforms necessary to create a statistical methodology area within INEI at the level of a national office and to strengthen the area responsible for making use of industrial data within Ministry of Production.
- 2.13 **Productive development.** The objective of this subcomponent is to identify the possible institutional arrangements for the efficient, coordinated development of instruments for encouraging production and to define the actions necessary for their implementation. For the first operation a diagnostic assessment of productive development issues will be presented, along with guidelines for an analysis of strategies, policies, institutional arrangements, and support instruments for productive development. For subsequent operations, the following are expected: (i) an action plan agreed on to promote productive development based on an analysis of strategies, policies, institutional arrangements, and support instruments; (ii) a first group of priority productive development instruments designed; and, lastly, (iii) the action plan implemented and a set of productive development instruments operating.
- 2.14 **National Quality System (SNC).** In order to facilitate the business sector's development and adoption of industrial standards as a way to improve quality and productivity, this subcomponent seeks to strengthen the institutional and policy framework of the SNC, improving its coordination, coverage, and effectiveness. For the first operation, the following are expected: guidelines for commissioning a diagnostic assessment and a proposal for reforming and strengthening the SNC, agreed on by a multisectoral working group established to oversee the reform process. For subsequent operations, progress is expected to have been made with building consensus on the reform action plan and on the implementation of some of the plan's key aspects.
- 2.15 **Science, technology, and innovation (STI).** With the aim of increasing the efficacy and efficiency of the country's STI policies and public spending, this subcomponent seeks to support consolidation of the current institutional framework and the instruments for developing innovation and research. For the first operation, the following are expected: (i) progress on the diagnostic assessment of the institutional framework with the evaluation of innovation support policies carried out by the Organization for Economic Cooperation and Development (OECD) and a diagnostic assessment of the performance of the main public research institutes;

and (ii) the allocation, by the Research and Development for Competitiveness Fund (FIDECOM), of competitive funds to support business innovation through the Innovation, Science, and Technology Fund (FINCyT). For subsequent operations, progress is expected to have been made on building consensus about and implementing the reforms and actions prescribed by the studies, together with the continued allocation of funds by FIDECOM.

III. FINANCING STRUCTURE AND RISK

A. Costs and funding

- 3.1 This programmatic policy-based lending operation will be disbursed in a single tranche of up to US\$50 million. Disbursement of the resources is contingent on fulfillment of the policy reform commitments, once the loan contract has been signed and the special and general conditions precedent have been met, in accordance with the Policy Matrix (Annex II), the Means of Verification Matrix, and the Policy Letter. Disbursement is expected to take place in the second quarter of 2010 under the Operational Framework for Lending in Local Currency (documents GN-2365-12 and GN-2365-6). The program amount is justified by the actions that the government has been pursuing and implementing to modernize the legal and institutional framework for enhancing the country's competitiveness, by the expected outcomes, and by the expected benefits.

B. Borrower and executing agency

- 3.2 The borrower is the Republic of Peru and the executing agency is the Ministry of Economy and Finance (MEF), through the National Public Debt Directorate (DNEP), the agency responsible for negotiating the operation, and the Sectoral Loan Coordination Unit (UCPS), charged with technical coordination of program preparation and supervision. The relevant ministries and agencies are involved in each of the subcomponents.

C. Environmental and social impact

- 3.3 In accordance with Directive B.13 of the Bank's Environment and Safeguards Compliance Policy (OP-703), and based on the results of the Safeguard Policy Filter Report, this operation does not require classification. There are no environmental or social risks associated with the program. As part of the SNC component, the status of environmental issues in international technical standards will be reviewed.

D. Risks

- 3.4 The following main risks have been detected: (i) the elections for regional presidents and mayors scheduled for October 2010 could have an adverse impact on the progress of municipal reforms. As mitigating factors, the new efforts for oversight of various agencies will put pressure on compliance with the Framework Law on Operating Licenses, and the MEF will conduct a publicity and awareness campaign on the streamlining of procedures, to accompany the PMM; (ii) the

technical scope of the reforms to the secured transactions system could be limited by the legislature's willingness to make substantial changes to the current secured transactions law that are essential for the necessary modifications of the Register's design and operation. To offset this risk, support will be given to dissemination and awareness-raising activities regarding the importance of a proper regulatory framework for the development of this instrument; (iii) given the large number of stakeholders and the multisectoral nature of many of the topics addressed, there is a risk of the reform processes becoming disconnected if there is no clear interagency coordination authority. The CNC will play a key role in coordinating and building consensus among the stakeholders, as part of its new agenda. In addition, multisectoral working groups will be set up for each of the reforms, led by the corresponding key sectors.

IV. IMPLEMENTATION

- 4.1 **Program execution and administration.** The MEF will be responsible for the technical coordination necessary for the successful implementation of the PEPC, and the sectoral agencies will be responsible for the actions and their implementation. The DNEP will be in charge of financial aspects, including the disbursement formalities, and the UCPS will be in charge of technical coordination.
- 4.2 **Monitoring and evaluation.** The MEF will coordinate timely compliance with the commitments under this first programmatic operation and will be responsible for providing information on progress with respect to the Policy and Results Matrix and for submitting evidence on the means of verification to the Bank. The Results Matrix, with medium-term indicators upon conclusion of the third programmatic operation (2012) as well as long-term indicators (2014), will guide the evaluation of progress with implementing the PEPC and will make it possible to evaluate it at the end of the final programmatic operation.¹²
- 4.3 Execution of the PEPC will be monitored through monitoring meetings with the executing agency and through the semiannual reports presented by the borrower to the Bank during program execution, which will report on progress with the reforms and, in particular, fulfillment of the triggers for the following programmatic operation. Based on this monitoring and on the agreed-on triggers, the Bank and the executing agency will determine when the second programmatic operation is to be prepared. The Project Completion Report will be prepared within six months after the third operation's reforms have been implemented, and it will assess the impact and the extent to which the objectives for the programmatic series were met.
- 4.4 **Policy Matrix.** The Bank has agreed on a draft Policy Letter with the government, which describes the national government's commitment to the objectives and

¹² Baseline measurements and targets are currently available for most of the indicators in the Results Matrix. For the reforms relating to operating licenses, the Foreign Trade Single Window, SNC, and STI, the baseline and targets will be defined by the studies planned for 2010 ([Link 3](#)).

actions established for the entire programmatic series ([Link 1](#)). In addition, the Bank has agreed on a Policy Matrix ([Annex II](#)) for the PEPC, along with the Results Matrix ([Link 3](#)) and the Means of Verification Matrix ([Link 2](#)) for programmatic operation I, contained in the corresponding links.

Development Effectiveness Matrix Summary

Indicator	Score	Maximum Score
I. Strategic Relevance	Low-High	
1. IDB Strategic Development Objectives	0.7	10.0
Country Diversification	0.7	2.0
Corporate Initiatives	0.0	2.5
Harmonization and Alignment	0.0	3.5
Beneficiary Target Population	0.0	2.0
2. Country Strategy Development Objectives	7.8	10.0
Country Strategy Sector Diagnosis	4.2	6.0
Country Strategy sector objective & indicator	3.6	4.0
II. Development Outcomes - Evaluability	Partially satisfactory	
3. Evidence-based Assessment and Solution	6.6	10.0
4. Evaluation and monitoring plan	5.3	10.0
5. Cost-benefit or cost-effectiveness	0.0	10.0
6. Risk and Mitigation Monitoring Matrix	7.5	10.0
III. IDB's Role - Additionality		
7. Additionality	10.0	10.0
Technical assistance provided prior to the project	3.0	3.0
Improvements in management of financial, procurement, monitoring or statistics internal controls	4.0	4.0
Improvements in environmental, health, and labor performance	3.0	3.0

I. Strategic Relevance: This operation is being executed in Peru, considered a Group B country, through a policy-based loan (PBL). Its objective is not consistent with the Bank's current initiatives. The objective of the intervention is aligned with the country strategy.

II. Evaluability: The project is clear in terms of its objectives, and the intervention logic is sound. Empirical evidence is provided regarding the magnitude of the problem identified and of the factors that affect it. There are indicators for monitoring and evaluating the expected outcomes. The project has established monitoring mechanisms. A reflexive evaluation (before and after) will be performed, but there is no specific evaluation plan. The project does not have an economic performance analysis with a cost-benefit and cost-effectiveness calculation. The project is classified as a "C" operation. Risk mitigation measures have been identified, but no indicators are established for monitoring their implementation.

III. Additionality: The executing unit has the Sector Facility operation (PE-L1088) that will support implementation of the program's reforms. The Bank will also execute the technical cooperation operation (PE-T1211), Comprehensive Improvement of the National Quality System of Peru. Implementation will help improve the executing agency's performance.

Policy Matrix¹

Objectives	Institution responsible – Programmatic Operation I	Commitments for the first operation (April 2010)	Triggers for the second operation (April 2011)	Triggers for the third operation (April 2012)
I. Macroeconomic sustainability				
Maintaining a macroeconomic environment that is conducive to business growth and enhanced productivity.		The macroeconomic policy framework is consistent with the guidelines established in the sector policy letter.	The macroeconomic policy framework remains consistent with the guidelines established in the sector policy letter.	The macroeconomic policy framework remains consistent with the guidelines established in the sector policy letter.
II. Business environment				
A. Reducing the time and cost of formalities for starting a business.	PCM (ONGEI)	Platform fine-tuned for starting a business, including enhancements to the SUNARP and Lima Notaries' Association modules.	Platform for starting a business using electronic submissions up and running in Lima, Callao, and three regional capitals.	Platform for starting a business using electronic submissions up and running in Lima, Callao, and 16 regional capitals.
	PCM (ONGEI)	At least 80% of notaries in metropolitan Lima interconnected.	At least 80% of notaries in metropolitan Lima remain interconnected.	At least 80% of notaries in metropolitan Lima, and at least 50% of notaries in 16 regional capitals, remain interconnected.

¹ The operation amounts are as follows: Programmatic Operation I – US\$50 million; Programmatic Operation II – US\$50 million; and Programmatic Operation III – US\$50 million.

Objectives	Institution responsible – Programmatic Operation I	Commitments for the first operation (April 2010)	Triggers for the second operation (April 2011)	Triggers for the third operation (April 2012)
B. Reducing formalities for obtaining an operating license.	MEF (CNC) / INDECI		Improvement of the safety inspections process required to obtain an operating license, implemented, including: (i) the design of a new risk matrix for safety inspections; and (ii) the corresponding proposed amendments to the Framework Law on Operating Licenses (Law 28976) and the Regulations for Civil Defense Technical Safety Inspections (DS 066-2007-PCM).	
C. Streamlining procedures for obtaining property registrations and construction permits.	SUNARP	Service implemented for registering simple real estate sales agreements in 24 to 48 hours, including: (i) making model contracts available to the public; and (ii) creating the specialized section.	Online property registration service implemented, including the launch of the computer platform using electronic submissions. Expansion of the online service for registering in 24 to 48 hours to at least two additional transactions.	Expansion of the online service for registering in 24 to 48 hours to at least 10 additional transactions.
	MEF (CNC)	Reform proposal presented to Congress to eliminate the requirement that registrars check compliance with tax payments. Proposal presented to Congress to reduce formalities and costs related to obtaining construction permits (including the elimination of the Certificate of Urban Planning and Building Parameters, the Certificate of Ownership, and the Professional Qualification and Project Certificates).	Process reengineering designed in the agencies involved in issuing construction licenses.	

Objectives	Institution responsible – Programmatic Operation I	Commitments for the first operation (April 2010)	Triggers for the second operation (April 2011)	Triggers for the third operation (April 2012)
D. Improving municipal procedures for starting and running a business.	MEF (DNPP)	<p>Municipal Modernization Program (PMM) approved, with targets for improving the business climate in order to obtain budgetary incentives.</p> <p>Pilot computer platform for issuing operating licenses online, including interconnection with Banco de la Nación, finished and ready to begin operations in one Lima municipality.</p>	Simplified process for obtaining an operating license in 10 metropolitan Lima municipalities and provincial capitals.	<p>Simplified process for obtaining an operating license in 40 metropolitan Lima municipalities and provincial capitals.</p> <p>Pilot process reengineering of agencies involved in issuing construction licenses, implemented.</p> <p>Risk matrix for conducting safety inspections, implemented in 20 Lima municipalities.</p>
E. Streamlining customs formalities, including improvements to foreign trade logistics chain processes, improving the interoperability of oversight agencies, and reducing dispatch times.	SUNAT	<p>Regulations for express deliveries approved and procedures for them pre-published.</p> <p>Regulations and procedures approved for the guarantee system in the merchandise dispatch process.</p>	<p>Procedures approved for express deliveries.</p> <p>Training, computerization, and launch of express deliveries system, completed.</p> <p>New financial instruments applicable to the guarantee system, identified.</p> <p>Certification program for Certified Customs Users² adapted to World Customs Organisation best practices, defined.</p>	<p>Regulations for the financial instruments applicable to the guarantee system, approved.</p> <p>Certified Customs Users certification program operating, and progress made in the area of mutual recognition among customs authorities.</p>

² Equivalent to Authorized Economic Operator.

Objectives	Institution responsible – Programmatic Operation I	Commitments for the first operation (April 2010)	Triggers for the second operation (April 2011)	Triggers for the third operation (April 2012)
	MINCETUR	Pilot of the Foreign Trade Single Window (VUCE) launched.	Advance ruling procedure designed and approved, to provide legal guarantees and reduce administrative discretion regarding technical aspects of customs appraisal and classification. VUCE implemented, including automation of at least 82 formalities.	Advance ruling system implemented, to provide legal guarantees and customs classification. VUCE implemented, including automation of an additional number of formalities, according to the action plan to be developed.
	SUNAT / MINCETUR / MEF (DGAEICIP)	Terms of reference agreed upon for conducting a diagnostic assessment to identify the public and private procedures and formalities to be simplified in facilitating foreign trade in the framework of a comprehensive VUCE.	Diagnostic assessment, finalized identifying the public and private procedures and formalities to be simplified in facilitating foreign trade, and action plan agreed upon.	Action plan being implemented.
	SUNAT	System operational for customs dispatch of merchandise “entry of cargo and admission (all import regimes)” in 48 hours, including: (i) process reengineering, and (ii) computer platforms. Adaptation of the risk system to the new dispatch model.	System operational for customs dispatch of merchandise “loading and exit (all export regimes)”, including: (i) process reengineering, and (ii) computer platforms. Diagnostic assessment, evaluation, and modeling of the comprehensive risk control system developed, including commercial aspects, contraband issues, and safety in its broadest sense.	Reengineering of the remaining modules of the Integrated Customs Administration System (SIGAD) related to customs dispatch, in process. Risk control system being implemented.
F. Improving the effectiveness and efficiency of the secured transactions register.	MINJUS	Proposal for reforming the secured transactions system, submitted by the Multisectoral Commission.	Corresponding regulations, approved.	Improvements to the secured transactions registration system, being implemented.

Objectives	Institution responsible – Programmatic Operation I	Commitments for the first operation (April 2010)	Triggers for the second operation (April 2011)	Triggers for the third operation (April 2012)
	SUNARP	Improvements to the operation of the secured transactions register in SUNARP implemented, including: (i) regulation of extrajudicial execution; (ii) the definition of the generic description of property offered as a security guarantee; and (iii) the definition of settlement of registration fees per contract instead of per item.		
III. Institutional framework and competitiveness support instruments				
A. Improving the functionality of the institutions that support the private sector and competitiveness.	CNC	Consolidation of the institutional framework for competitiveness through the restructuring and institutional relocation of the National Competitiveness Council (CNC).	CNC agenda agreed on with the public and private sectors and approved, including the topics of improving the business climate, productive development, technological innovation, and National Quality System.	Evaluation conducted of progress with the CNC agenda according to the milestones therein.
B. Improving the quality of business statistics.	INEI/PRODUCE	2010-2012 action plan agreed on for strengthening business statistics, including actions for: (i) improving the dissemination and usage of data, including the publication of data from the manufacturing census, the economic census, and the Annual Economic Survey (EEA) dating back to the 2005 financial year; (ii) carrying out a specialized survey on innovation; (iii) institutionalizing INEI's statistical methodology area;	Progress with implementing the action plan, including, at least: (i) databases, protecting statistical secrecy, of the 2009 EEA, economic census, and manufacturing census available on the INEI and PRODUCE websites, respectively; (ii) code of statistical good practices in line with international good practices and plan for its implementation agreed on and approved; (iii) legislative bill submitted to Congress for strengthening the	Progress with implementing the action plan, including, at least: (i) database, protecting statistical secrecy, and results of the 2010 EEA, published to four digits; (ii) innovation survey for manufacturing companies conducted and validated; (iii) INEI statistical methodology area as a national office equipped with the powers necessary to operate, with a National Statistical Methodology Director appointed.

Objectives	Institution responsible – Programmatic Operation I	Commitments for the first operation (April 2010)	Triggers for the second operation (April 2011)	Triggers for the third operation (April 2012)
		(iv) adopting a code of statistical good practices; and (v) strengthening the industrial data usage area in PRODUCE.	National Statistics System reflecting the code of statistical practices good adopted, including the creation of the statistical methodology area of INEI as a national office; and (iv) PRODUCE industrial data usage area strengthened.	
	INEI	Preliminary proposal for an EEA tabulation plan drawn up by INEI.	EEA data published through: (i) basic tabulations for the 2009 EEA; (ii) characteristics of the Peruvian productive sector based on the panel of companies in the 2006-2009 EEAs.	
C. Strengthening the institutional framework of the National Quality System (SNC).	MEF (DGAEICIP/CNC)	Working Group set up to review the diagnostic assessment and action plan, with representatives from MEF (DGAEICIP and CNC), INDECOPI, PRODUCE, MINCETUR, SENASA, DIGESA, and DIGEMID. Guidelines for commissioning a diagnostic study and proposal to reform and strengthen the SNC agreed on by that multisectoral working group, including, at the least, an analysis of: (i) technical standardization and regulations; (ii) conformity assessments; (iii) industrial, scientific, and legal metrology; and (iv) accreditation and authorization of regulatory oversight agencies.	Reform proposal and action plan for its implementation prepared by the SNC's Temporary Multisectoral Reform Commission.	Progress with implementing the action plan.

Objectives	Institution responsible – Programmatic Operation I	Commitments for the first operation (April 2010)	Triggers for the second operation (April 2011)	Triggers for the third operation (April 2012)
D. Strengthening the productive development support system.	MEF (DGAEICIP) MEF (CNC)	Diagnostic assessment completed of productive development issues. Guidelines submitted for conducting an analysis of strategies, policies, institutional arrangements, and support instruments for productive development.	Action plan for promoting productive development agreed upon, based on the analysis of strategies, policies, institutional arrangements, and support instruments. First group of productive development instruments prioritized and designed.	Action plan being implemented. Productive development instruments operational.
E. Increasing the effectiveness and efficiency of public policies and spending for science, technology, and innovation.	MEF (DGAEICIP) / FINCyT MEF (CNC) / MEF (DGAEICIP) / FINCyT	Assessment underway of innovation support policies by the OECD. Diagnostic assessment begun of needs and performance of main public technological research and development institutes.	Substantial progress with building consensus on and implementing the recommendations from the assessments. Diagnostic study of needs and performance of public technological research and development institutes concluded, and action plan for implementation of recommendations agreed upon.	Substantial progress with implementing the recommendations from the assessments. Action plan being implemented.
	PRODUCE / FINCyT	Allocation, by the Research and Development for Competitiveness Fund (FIDECOM), begun of competitive funds to support business innovation through the FINCyT.	FIDECOM-funded projects in execution.	FIDECOM midterm evaluation conducted of efficiency and effectiveness in resource allocation for innovation.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/10

Peru. Loan ____/OC-PE to the Republic of Peru
Program to Enhance Productivity and Competitiveness I

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Peru, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a program to enhance productivity and competitiveness I. Such financing will be for an amount of up to US\$50,000,000 from the Single Currency Facility of the Ordinary Capital resources of the Bank, 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 __ ____, 2010)

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