IEG
Independent Evaluation Group

WORLD BANK GROUP
World Bank • IFC • MIGA

PROJECT PERFORMANCE ASSESSMENT REPORT

WHAT WORKS

PERU

Fiscal Management and Competitiveness Programmatic Development Policy Loans

Report No. 110742
FEBRUARY 15, 2017

1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

Attribution—Please cite the work as follows: World Bank. 2017. *Project Performance Assessment Report: Peru—Fiscal Management and Competitiveness Programmatic Development Policy Loans.* Washington, DC: World Bank.

Report No.: 110742

PROJECT PERFORMANCE ASSESSMENT REPORT

PERU

FISCAL MANAGEMENT AND COMPETITIVENESS PROGRAMMATIC DEVELOPMENT POLICY LOANS (IBRD-74190, IBRD-75880, IBRD-76490, IBRD-77990 AND IBRD-79540)

Human Development and Economic Management
Independent Evaluation Group

Currency Equivalents (annual averages)

Currency Unit = Nuevo Soles (S/.)

2004	US$1.00	S/. 3.41
2005	US$1.00	S/. 3.29
2006	US$1.00	S/. 3.27
2007	US$1.00	S/. 3.12
2008	US$1.00	S/. 2.93
2009	US$1.00	S/. 3.01
2010	US$1.00	S/. 2.83
2011	US$1.00	S/. 2.75
2012	US$1.00	S/. 2.64
2013	US$1.00	S/. 2.70
2014	US$1.00	S/. 2.84
2015	US$1.00	S/. 3.19

Abbreviations and Acronyms

CPS	country partnership strategy
DDO	deferred drawdown option
DPL	Development Policy Loan
FMCDPL	Fiscal Management and Competitiveness Development Policy Loan
FY	fiscal year
GCR	Global Competitiveness Report
GDP	gross domestic product
ICR	Implementation Completion and Results Report
ICRR	Implementation Completion and Results Report Review
IEG	Independent Evaluation Group
MEF	Ministry of Economy and Finance
MSMEs	micro, small, and medium enterprises
PPAR	Project Performance Assessment Report
SEACE	State Acquisition and Electronic System

Fiscal Year

Government: January 1–December 31

Director-General, Independent Evaluation	:	Ms. Caroline Heider
Director, Human Development and Economic Management, IEGHE	:	Ms. Marie Gaarder
Manager, Human Development and Corporate Evaluations, IEGHC	:	Ms. Anjali Kumar (Acting)
Task Manager	:	Ms. Xiaolun Sun

Contents

Tables

Figure

This report was prepared by Xiaolun Sun and R. Pablo Guerrero O., who assessed the program in June, 2016. The report was peer reviewed by Jorge Garcia-Garcia and panel reviewed by Chad Leechor. Carla Fabiola Chacaltana provided administrative support.

Principal Ratings

	ICR*	ICR Review*	PPAR
Outcome	Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Risk to Development Outcome	Moderate	Moderate	Moderate
World Bank Performance	Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Satisfactory

* The Implementation Completion and Results (ICR) report is a self-evaluation by the responsible World Bank global practice. The ICR Review is an intermediate IEG product that seeks to independently validate the findings of the ICR.

Key Staff Responsible

Fiscal Management and Competitiveness Development Policy Loan (FMCDPL)

Project	Task Team Leader	Sector Manager	Country Director
Appraisal			
FMCDPL I	Rossana Polastri/ Fernando Rojas	Mauricio Carrizosa	Marcelo Giugale
FMCDPL II	Rossana Polastri	Rodrigo A. Chaves	Carlos Felipe Jaramillo
Supplemental FMCDPL II	Rossana Polastri	Rodrigo A. Chaves	Carlos Felipe Jaramillo
FMCDPL III	Paloma Anos-Casero	Rodrigo A. Chaves	Carlos Felipe Jaramillo
FMCDPL IV	Paloma Anos-Casero	Rodrigo A. Chaves	Carlos Felipe Jaramillo
Completion			
FMCDPL I	Oscar Calvo-Gonzalez	Auguste T. Kouame	Susan G. Goldmark
FMCDPL II	Ekaterina Vostroknutova	Auguste T. Kouame	Susan G. Goldmark
Supplemental FMCDPL II	Ekaterina Vostroknutova	Auguste T. Kouame	Susan G. Goldmark
FMCDPL III	Ekaterina Vostroknutova	Auguste T. Kouame	Susan G. Goldmark
FMCDPL IV	Ekaterina Vostroknutova	Auguste T. Kouame	Susan G. Goldmark

IEG Mission: Improving World Bank Group development results through excellence in independent evaluation.

About this Report

The Independent Evaluation Group (IEG) assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the World Bank's self-evaluation process and to verify that the World Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20–25 percent of the World Bank's lending operations through fieldwork. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or World Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, interview World Bank staff and other donor agency staff both at headquarters and in local offices as appropriate, and apply other evaluative methods as needed.

Each PPAR is subject to technical peer review, internal IEG panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible World Bank country management unit. The PPAR is also sent to the borrower for review. IEG incorporates both World Bank and borrower comments as appropriate, and the borrowers' comments are attached to the document that is sent to the World Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

About the IEG Rating System for Public Sector Evaluations

IEG's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEG evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEG website: http://ieg.worldbankgroup.org).

Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current World Bank country and sectoral assistance strategies and corporate goals (expressed in poverty reduction strategy papers, Country Assistance Strategies, sector strategy papers, and operational policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared with alternatives. The efficiency dimension is not applied to development policy operations, which provide general budget support. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Risk to Development Outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High, Significant, Moderate, Negligible to Low, and Not Evaluable.

World Bank Performance: The extent to which services provided by the World Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan or credit closing, toward the achievement of development outcomes). The rating has two dimensions: quality at entry and quality of supervision. *Possible Ratings for World Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, and Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, and Highly Unsatisfactory.

Preface

This is the Project Performance Assessment Report (PPAR) of the Peru Fiscal Management and Competitiveness Development Policy Loans (FMCDPL) I–IV and the supplemental financing to FMCDPL II. The five loans in the programmatic series were approved between December 2006 and August 2010 and closed between December 2007 and January 2015. An Implementation Completion and Results Report (ICR) for the series was prepared in June 2012, covering the implementation period of the FMCDPL series till 2011. The ICR Review (ICRR) prepared by the Independent Evaluation Group (IEG) in February 2013 also covers this period. This PPAR brings the results of this programmatic series up to 2015 and assesses whether the development objectives and outcomes of the program were achieved by the target date and sustained beyond it.

This report presents findings from an in-depth review of the project documents, discussions with World Bank country teams in Washington, DC, and Lima, and interviews with government officials and other stakeholders during an evaluation mission to Peru in June 2016. The cooperation and assistance of all parties consulted are gratefully acknowledged, as is support of the World Bank office in Lima.

The assessment aims first to serve an accountability purpose by verifying the program's success in achieving the intended outcomes. As part of a cluster of PPARs on Development Policy Loans (DPLs) with deferred drawdown option (DDO), the report draws lessons to inform the design and implementation of this type of instrument in Peru and other World Bank Group client countries.

Following standard IEG procedures, the report was sent to the government officials and agencies in Peru for review and feedback. Comments received are attached as appendix D.

Summary

This PPAR evaluates the programmatic series of Peru FMCDPL I–IV and supplemental financing to FMCDPL II. The loans were approved between December 2006 and August 2010 and closed between December 2007 and January 2015. The loan amounts varied between US$100 million and US$200 million, with the exceptions of the second loan and its supplement, which were granted with a DDO; these together totaled US$700 million. Total financing provided therefore amounted to US$1,150 million. The PPAR reviews the performance of these operations based on IEG and World Bank Operations Policy and Country Services guidelines on program evaluations.

The FMCDPL series aimed to support the government's reform program to improve the functioning of Peru's public sector institutions and business environment. The support program rested on two pillars: (i) improve the efficiency and quality of fiscal management and (ii) enhance competitiveness. Under these, the FMCDPL program supported nine specific policy objectives:

- **Efficiency and quality of fiscal management:** (i) increase sustainability and transparency of fiscal policy, (ii) make tax system more neutral and stable, (iii) strengthen budget reporting and planning, (iv) increase equity in intergovernmental transfers, and (v) improve efficiency and impact of public spending.

- **Competitiveness:** (vi) make public sector processes more transparent, accessible, and agile; (vii) expand and deepen international trade; (viii) reduce transaction costs for the private sector to enter, operate in, and exit markets; and (ix) promote sustainable financial deepening.

In addition, the supplement to the second loan had another objective: proactive management and containment of risk from the global economic crisis, as a preventive measure, while remaining committed to the reform program. This was clearly articulated in the loan's program documentation.

Program objectives were substantially relevant to country conditions both at the time of entry and closing, and remain relevant today. They were also well aligned to government and World Bank Group strategies. Design of the program had substantial relevance for achieving the objectives. Although the scope of the reforms was relatively wide, they were well grounded on a policy consensus within country and remained the core throughout the programmatic series. The program's policy matrixes provided a plausible causal chain, linking the prior actions in each policy area under each loan to the expected outcomes at program close.

The additional objective of risk management was highly relevant to the condition in 2008–09 and continued to be of relevance in subsequent years as Peru faced prolonged terms-of-trade uncertainties. It was consistent with the government's crisis response and overall risk management strategies as well as World Bank Group strategies to support the country to optimize debt management.

The overall outcome is rated **moderately satisfactory,** reflecting substantial relevance of the objectives and the design and partial achievement of most objectives under the two pillars. It is worth noting that the government has had reasonable success in managing Peru's economic policies, improving fiscal management, strengthening competitiveness to varying degrees, and reducing poverty levels. However, in most reform areas supported by the FMCDPL program, advances fell short of expectations or were reversed after program closing, which suggests that the root causes of the problems have not been satisfactorily addressed. The implicit objective of risk management during the global crisis is not rated since there are limited metrics for measuring success in this regard. Peru's successful emergence from the crisis may be taken as some indication, although the extent of attribution to World Bank support is difficult to assess.

Risk to development outcome is rated **moderate.** The government is keenly aware that both the fiscal management and the competitiveness agenda have a long way to go and seeks feedback and support from multilaterals on its reforms. The World Bank continues to support the government through both knowledge and lending operations. Other partners, such as the International Monetary Fund, are also providing technical assistance in these areas. In this context, the outcomes achieved are likely to be maintained.

Among the key lessons are the following:

- When strong ownership of the client is demonstrated, a programmatic series of operations can offer the World Bank and its client win-win solutions. For the World Bank, a multiyear program of support gives it a chance to pursue an extended and coherent analytical agenda that may not be feasible in multiple one-off operations. To the client, the programmatic series offers a real-time opportunity to learn about the reforms (including both the costs and benefits) and to build on the momentum of initial success.

- In the case of Peru, despite all the positive steps the government has taken to enhance efficiency in the allocation of fiscal resources, a pressing need to rationalize the fiduciary and regulatory norms and the multiplicity of control and auditing instances remains. These have proliferated and seem to be driving a wedge between the central and regional governments' capacity to focus on results rather than procedures. The government also needs to continue placing strong emphasis at the central and subnational levels on a robust and rigorously appraised public investment program, and enhance its assistance to subnational governments. To do so, greater attention to subnational tax revenue collection and more efficient distribution of fiscal transfers to subnational governments is warranted.

- The application of the DDO in this context to the second loan and its supplement illustrated the World Bank's willingness and ability to support Peru at a time of considerable market uncertainty and, arguably, to help limit contagion. It showed the advantages of the instrument as a risk management tool and for facilitating World Bank engagement with middle-income countries. At the same time, the present example also illustrates possible tensions between the independent selection of International Bank for Reconstruction and Development financing

terms and the monitoring of the World Bank's development effectiveness. Although monitoring of the macroeconomic framework and program implementation is required until closure of the DDO loans, the depth of supervision is restricted to verification of the drawdown preconditions. Issues such as whether there should be more detailed supervision or a review of the scope of the overall program merit further debate.

Marie Gaarder
Acting Director
Human Development and
Economic Management
Independent Evaluation Group

1. Background and Context

1.1 When in 2006 the Government of Peru asked the World Bank for financing to implement its development policy agenda, Peru's economy was performing well and the government had met the macrofiscal objectives set in 2005 (table 1.1). Gross domestic product (GDP) grew by 8.5 percent in 2007, and the outlook for 2008 was very promising. In mid-2008, however, like other emerging economies, Peru faced increasing uncertainty as the global financial crisis began to unfold. Although Peru's GDP growth continued, reaching a historical high of 9.1 percent in 2008, world markets began to contract, and the country began to be affected by decreased demand for its main mineral exports, whose share in total exports dropped from 62 percent in 2006 to 58 percent in 2008. Commodity export prices contracted sharply: copper prices fell from US$ 367 to US$ 181 per pound from August to November 2008. The terms-of-trade index fell by 11 percent, and the current account balance turned from annual surpluses to a deficit of 4.3 percent of GDP in the same year.

Table 1.1. Selected Macroeconomic Indicators

	2006	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*
Growth										
GDP growth (annual %)	7.5	8.5	9.1	1.0	8.5	6.5	6.0	5.9	2.4	3.3
Inflation (annual %)	2.0	1.8	5.8	2.9	1.5	3.4	3.7	2.8	3.2	3.5
Public sector (% of GDP)										
Current revenues	18.4	19.0	19.9	16.7	17.8	18.8	19.2	18.9	19.0	16.6
Current expenditures	14.9	15.2	14.5	14.4	13.4	13.5	13.5	13.9	14.8	14.8
Consolidated fiscal balance	2.5	3.1	2.5	−1.4	−0.2	2.0	2.3	0.9	−0.3	−2.1
Public investment	3.2	3.5	4.6	5.9	6.1	5.2	5.6	6.0	6.0	5.2
Tax revenue	15.9	16.4	16.4	14.4	15.4	16.1	16.6	16.4	16.5	14.7
Domestic interest rates										
Interbank (annual average %)	4.3	4.7	5.8	3.3	3.0	4.2	4.2	4.1	3.8	3.8
Trade and exchange rate										
Exchange rate (soles per US$)	3.27	3.12	2.93	3.01	2.83	2.75	2.64	2.70	2.84	3.19
Terms of trade (index % change)	28.1	4.3	−10.9	−2.4	21.0	7.2	−2.6	−5.2	−5.4	−6.3
International reserves (US$, billions)	17.27	27.69	31.19	33.14	44.10	48.82	62.99	65.66	62.31	61.48
Mineral Exports (% of total exports)	61.8	62.1	58.4	60.9	61.2	59.4	57.9	55.5	52.0	55.0
Mineral exports (USD billions)	14.74	17.44	18.10	16.48	21.9	27.50	27.47	23.80	20.54	18.84
Current account (percent of GDP)	3.3	1.5	−4.3	−0.5	−2.4	−1.9	−2.7	−4.2	−4.0	−4.4
External debt										
External public debt (% GDP)	24.4	18.8	16.8	16.1	13.2	11.4	9.8	8.8	8.7	11.1

Source: Banco Central de Reserva de la Republica de Peru, 2015.

1.2 The government pursued countercyclical policies. The public investment program accelerated from 3.5 percent of GDP in 2007 to 6.1 percent in 2010. To keep inflation in check, Ghana's Central Bank raised the policy discount rate, with the interbank rate rising from an average of 4.5 percent in 2007 to 5.8 percent in 2008, before dropping to an average of 2.9 percent in 2009. At the same time, it lowered reserve requirements and intervened in the foreign exchange market, buying US dollars to lower the risks associated with "excessive dollarization." By 2010, the economy had rebounded strongly: GDP growth rose to 8.5 percent after dropping to 1 percent in 2009, inflation was tamed, and the value of mineral exports reached a new height, as did international reserves. The consolidated public sector incurred a deficit of 1.4 percent of GDP in 2009, which was reduced to 0.2 percent of GDP in 2010. On the other hand, the current account balance remained in deficit.

1.3 GDP growth slowed from 6.5 to 3.3 percent during 2011–15 as the unfavorable external environment persisted. The Central Bank interventions led to devaluation of the local currency from 2.75 to 3.19 nuevo soles per US dollar. The terms-of-trade index declined from 7.2 to −6.3; the value of mineral exports dropped from US$27.5 billion to US$18.8 billion; and the current account deficit increased from 1.9 to 4.4 percent of GDP.

1.4 Peru's financial conditions were temporarily, but significantly, affected by the onset of the global crisis in September 2008. Emerging Market Bond Index global bond spreads for Peru widened from 204 basis points in August 2008 to 502 basis points by early November in that year. Sovereign bond yields, which were 7.9 percent in August 2008, peaked at 10 percent in October 2008. Subsequently, however, they dropped to below 5 percent by May 2009 (figure 1.1). From a longer-term perspective, despite the global financial crisis and the more permanent nature of the terms-of-trade shock, Peru's international reserves steadily grew during the entire 2004–15 period by nearly fivefold, from US$12.63 billion to US$61.48 billion, while its external public debt steadily declined from 35.2 to 11.1 percent of GDP.

Figure 1.1. Peru Government Bond Yield percent

Source : MEF n.d.

1.5 Growth brought about significant poverty reduction during this period. As income per capita rose from US$2,790 in 2006 to US$6,200 in 2015, the poverty headcount declined from 55.6 percent of the population in 2005 to 22.7 percent in 2014, while the share of income by the bottom 20 percent of the population increased from 3.44 percent in 2005 to 4.43 percent in 2013. Nevertheless, inequality remained a serious problem as considerable income disparities continue to exist between Lima and the rest of Peru, between the coast and the mountainous highlands, and between urban and rural areas.

Competitiveness Agenda

1.6 Between 2006 and 2016, Peru's Global Competitiveness Report (GCR) ranking improved from 74 in 2006–07 to 69 in 2015–16 (Schwab and Porter 2006, 2008; Schwab 2009, 2010, 2011, 2012, 2014). This improvement confirms progress made toward macroeconomic stability based on a "competent monetary and fiscal policy as well as goods and labor market liberalization" (Schwab 2008, 24). The 2008–09 report also highlighted Peru's competitive strengths in terms of a reasonable size of its foreign and domestic markets, its fairly developed financial market, and the investment grade status achieved in April 2008 for its foreign currency debt. Coupled with the high growth rates realized by the country in the years leading up to 2008, the overall picture was expected to bode well for Peru's competitiveness prospects.

1.7 At the same time, Peru's GCR rankings pale in comparison with, for example, those of Chile's, of 27 and 35 for 2006–07 and 2015–16, respectively. Throughout the 2008–16 period, the GCRs pointed out two sets of challenges facing Peru. First, the need to improve the quality of the institutional environment, including government efficiency, and to upgrade the country's poor infrastructure and educational standards and broader access to health and primary education and higher education and training. And second, poverty levels and income and regional inequalities continue to loom as a cause of social unrest in the country, despite government efforts to increase social expenditure and public investment in infrastructure targeted toward these ends. The GCRs also highlighted Peru's low capacity to innovate due to limited research and development investment and a weak scientific research system, which hinders Peru's capacity to diversify its economy and move up toward new, more knowledge-rich activities.

World Bank Support

1.8 When the programmatic Development Policy Loan (DPL) series was launched, Peru's political and economic context provided a unique opportunity for the government to make a significant leap in its development. The government's program for 2007–11 intended to build on the solid macroeconomic framework to increase the growth rate and ensure a more equitable distribution of the fruits of growth to poorer segments of the population. The government designed a comprehensive development plan to address the challenges of inefficient public institutions, obstacles to private sector activities, and high poverty rates.

1.9 The World Bank Group's country partnership strategy (CPS) for fiscal year (FY) 2007–11 was prepared at a time when there had been strong country performance over the previous four years, shared development visions between the government and the World

Bank Group, and a close working relationship that evolved with the incoming administration of President Alan Garcia and many of the key stakeholders (World Bank 2006b). Within an enlarged lending envelope, the World Bank planned to make greater use of fast disbursing loans and innovative banking products to help Peru optimize its debt portfolio. In particular, the World Bank would support the government with three series of DPLs that would focus on fiscal management and competitiveness, the social sectors, and the environment (table 1.2).

Table 1.2. World Bank Budget Support Operations in Peru, Fiscal Year 2007–16

Project ID	*Project*	*Approval FY*	*Exit FY*	*Commitment (US$, millions)*
P101335	PE Programmatic Fiscal Management and Competitiveness DPL (FMCDPL)	2007	2008	200
P101590	PE 2nd FMCDPL/DDO	2009	2015	370
P115120	PE Supplemental 2nd FMCDPL DPL	2009	2015	330
P106720	PE 3rd FMCDPL	2010	2010	150
P116214	PE 4th FMCDPL	2011	2011	100
	Total FMCDPL			1,150
Other DPLs				
P101086	PE-Results and Accountability (REACT) DPL	2007	2009	150
P101177	PE-2nd REACT DPL/DDO	2009	2016	330
P116264	PE-3R REACT DPL	2011	2011	50
P101471	PE DDO First Programmatic Environmental DPL	2009	2016	330
P116152	PE 2nd Programmatic Environmental DPL	2010	2016	50
P118713	PE 3rd Programmatic Environmental DPL	2011	2010	75
P120860	PERU CAT DDO	2011		100
P149831	PE CAT DDO II	2015		400
P131028	PE Social Inclusion DPL	2013	2014	45
P154981	Pub. Exp. and Fiscal Risk Management DPL-DDO	2016		1,250
P156858	PE Boost. Hum. Cap. and Productivity DPL-DDO	2016		1,250

Sources: World Bank program documents, various.
Note: CAT = Catastrophic; DDO = deferred drawdown option; Exp. = expenditure; DPL = Development Policy Loan; FMCDPL = Fiscal Management and Competitiveness Development Policy Loans; PE = Peru; Pub. = public.

1.10 In late 2008 and early 2009, because of the looming global financial crisis, Peru asked for World Bank help to boost its ability to respond to the crisis and to continue to pursue the policy reforms under way. This took the form of adding a deferred drawdown option (DDO) to the three DPLs under preparation at the time (P101590, P101177, and P101471), plus a supplemental loan to one of these DPLs (P115120). The World Bank had developed the DPL-DDO instrument in 2001 to provide well-performing middle-income countries with contingent financing that was relatively low cost and fast disbursing when needed (World Bank 2001). Changes to the instrument's drawdown procedures and financial features in

2008 enhanced its usefulness in case of adverse events (World Bank 2008).[1] The government also hoped that these lines of credit would signal to external markets that Peru had access to credit on favorable terms in case it needed funds. If these lines of credit were not used, they would not add to Peru's external public debt.

2. Objectives, Design, and Their Relevance

2.1 As stated in the program documents, the Peru Fiscal Management and Competitiveness Development Policy Loans (FMCDPL) series aimed to support the government's reform program to improve the functioning of Peru's public sector institutions and business environment. The FMCDPL program rested on two pillars: (i) improve the efficiency and quality of fiscal management and (ii) enhance competitiveness. Under these two pillars, the FMCDPL program supported nine specific policy objectives:

- **Efficiency and quality of fiscal management:** (i) increase sustainability and transparency of fiscal policy, (ii) make tax system more neutral and stable, (iii) strengthen budget reporting and planning, (iv) increase equity in intergovernmental transfers, and (v) improve efficiency and impact of public spending.

- **Competitiveness:** (vi) make public sector processes more transparent, accessible, and agile; (vii) expand and deepen international trade; (viii) reduce transaction costs for the private sector to enter, operate in, and exit markets; and (ix) promote sustainable financial deepening.

2.2 According to the program documents for FMCDPL II and its supplement, the DPL DDOs would allow the government to "pro-actively manage risk in the event of a shift in the favorable external circumstances driving Peru's growth or a natural disaster—beyond the country's currently available risk management tools." By design, the loan proceeds, if drawn, would serve to protect the expenditure program in the events of a shortfall in revenue or a natural disaster calling for increases in expenditure.[2]

Relevance of Objectives

2.3 Relevance of objective is rated **substantial.**

2.4 The objective was highly relevant to the country context, aligned with the national development plans, and consistent with the World Bank Group's CPS for FY2007–11. In the mid-2000s, the challenge facing Peru was to move to the second generation of reforms:

---

[1] Under the new drawdown procedures, the borrower could request the DPL DDO funds at any time unless it has been notified by the World Bank that its macroeconomic policies were not adequate or that the overall program is not implemented in a satisfactory manner. This provides borrowers with greater certainty regarding the availability of DPL DDO funds. Changes to the financial terms reduced the overall costs of the DDO instrument.

[2] The DPL DDOs could be seen as part of a larger package of crisis support loans that also included two other DPL DDOs in other sectors that were approved in 2009, totaling US$660 million.

strengthening fiscal management, public expenditure quality, and competitiveness to achieve accelerated and broader-based economic growth. These development policy objectives formed the core of the FMCDPL series. As stated in the CPS, both the CPS and the package of policy reforms of President Garcia's then-incoming government were built on a platform of consensus as reflected in the National Accord signed by all political parties and interest groups in 2006 (World Bank 2006b). As such, the objectives of the FMCDPL responded to widespread agreement in the country and were indeed country owned and not just government owned.

2.5 To increase Peru's ability to maintain macrostability, the CPS proposed to support the government with a series of DPLs covering two overarching objectives: to improve fiscal management and to enhance competitiveness in the five years of the administration (World Bank 2006b). The specific content of the DPL would change over time, but each DPL would support these two objectives. Among the areas to be covered on the fiscal side are strengthening of fiscal rules, tax policy, and tax administration; results-based budgeting; public debt management; and a system of fiscal transfers and compensation. If the government decided to pursue other aspects of state reform, particularly in the area of civil service, the DPLs could be adapted to support specific objectives in that area.

2.6 To this date, the two pillars of the FMCDPL series continue to be the object of much public attention, the focus of policy reforms of subsequent governments led by President Humala and the recently elected President Kuczynski, as well as a key component of World Bank Group support to Peru. As pointed out in a recent report by the Ministry of Economy and Finance of Peru (MEF), this reform agenda, while it shows advances, still has a long way to go (MEF 2014). According to recent MEF public statement of June 2016 on the "State of Public Accounts," by its own estimate fiscal management efficiency has advanced 29 percent and competitiveness has advanced 38 percent since 2014 (MEF 2016). Although these two tracks involve a broader set of reforms than those in the FMCDPL program, the program's objectives are included among the reforms sought.

Relevance of Design

2.7 Relevance of design is rated **substantial.**

2.8 The scope of the FMCDPL reforms was relatively wide, but they were well grounded on a policy consensus within country and remained the core throughout the programmatic series. With the notable exceptions of reforms in intergovernmental transfers and financial deepening, for which World Bank support under the series started with FMCDPL II, and efforts to reduce transaction costs for private companies, which only appeared in FMCDPL II, all the loans tackled the same set of issues with each operation going a little farther. Such focus in program design reflected a deep understanding that these core development objectives were a complex multiyear undertaking that warranted long-term World Bank support. The program's policy matrixes provide a plausible causal chain, linking the prior actions in each policy area under each DPL to the expected outcomes at FMCDPL program close.

2.9 Faced with potential difficulties in accessing international capital markets in the aftermath of Lehman Brothers' collapse in September 2008, and the onset of accelerating global crisis and uncertainty, the government wanted to have more contingent financing that could be disbursed quickly in case of urgent need and were affordable. The then-newly-streamlined DPL-DDO appeared to be just right for such contingencies. By substantially raising the loan amount for FMCDPL II compared with FMCDPL I and adding a DDO for its disbursement, and then raising the level of financing further with the supplemental loan, the DDO offered an important source of contingent funding in the government's debt management strategy under downside external risks.

2.10 In offering the DDO, the World Bank decided to add it to an existing DPL series rather than prepare a separate DPL-DDO targeted at addressing market access uncertainties caused by the global financial crisis. Indeed, the DDO was added to multiple DPL series under preparation at that time (table 1.2). Doing so removed the need to prepare, negotiate, and agree on a new set of policy programs specifically for the contingent loan and thus allowed for a quicker approval of the loans to meet the government's needs. However, it is unclear how the added objective of responding to the financial crisis would be assessed.

2.11 The DDO effectively extended the program period of FMCDPL II and its supplemental financing from one year to a maximum of six years after loan effectiveness, which went beyond the program implementation period of the programmatic series of which it was one component. A substantial portion of the loan amount under the FMCDPL series—over 40 percent—was thus disbursed after the program had closed, and after the World Bank had completed its self-evaluation of program success.

3. Implementation

3.1 The World Bank's support included the approval between December 2006 and August 2010 of five development policy loans for a total of US$1.15 billion, including a US$330 million supplemental loan to the FMCDPL II. The FMCDPL II and the supplemental loan, totaling US$700 million, were approved during a four-month period at the end of 2008 and made use of the World Bank's DDO available to International Bank for Reconstruction and Development (IBRD) countries.

3.2 Peru weathered the 2008–09 global financial crisis relatively unscathed. The MEF and the Central World Bank kept the macroeconomic performance on track. The Implementation Completion and Results Report (ICR) and the MEF's final implementation report covered the prior actions extensively, and each loan agreement for the FMCDPL series attests to the implementation of those prior actions (MEF 2016; World Bank 2007, 2008b, 2009a, 2009b, 2010b, 2012a, 2013a). Apart from some adjustments to a few specific actions or targets due to changed circumstances, no major deviations occurred in the reform program throughout the DPL series. Per requirements for an outstanding DDO, the World Bank continued the dialogue on overall macrostability as well as on the maintenance of program direction. Periodic supervisions of FMCDPL II took place until the 11th supervision report filed in June 2014.

3.3 FMCDPLs I, III, and IV were disbursed shortly after becoming effective. The FMCDPL II, which had a DDO, was drawn down gradually, with about 20 percent of the loan disbursed immediately and another 40 percent disbursed in the following two years. The rest of the FMCDPL II and the entire amount of the supplemental loan were drawn down just before the loans expired in May 2014 and January 2015, respectively, six years after they became effectiveness (both DDOs were renewed at the government's request). With the exception of FMCDPL I, which was fully repaid in March 2013, the government is currently amortizing the loan amounts disbursed under the other DPLs in this programmatic series.

4. Achievement of Objectives

4.1 The Independent Evaluation Group (IEG) assessed the achievement of objectives based on the expected outcomes outlined in the FMCDPL program. This Project Performance Assessment Report (PPAR) corroborates the performance assessments in the ICR and Implementation Completion and Results Report Review (ICRR), and evaluates the sustainability of the relevant policy reforms through 2015.

Pillar I: Efficiency and Quality of Fiscal Management

4.2 Under this pillar, the government priorities centered on pursuing gradual reforms to strengthen macroeconomic stability and fiscal prudence and improve the quality of public expenditures. After the FMCDPL program period, the government's focus on these reforms has continued to the present day.

OBJECTIVE 1: INCREASE SUSTAINABILITY AND TRANSPARENCY OF FISCAL POLICY

4.3 The achievement of objective 1, to increase sustainability and transparency of fiscal policy, is rated **substantial.**

4.4 The aim was to keep the consolidated fiscal deficit in check by reducing the real growth of current expenditure, achieving a low debt-to-GDP ratio, and reduce the weight of foreign currency debt in total outstanding debt. Fiscal transparency was a cross-cutting goal. It was not tracked, but appear to have improved through increased online publication of fiscal data and online tax filing (next section), as well as implementation of fiscal rules and of the debt management strategy. According to the MEF, in 2013 changes were introduced to simplify fiscal rules to allow for better follow up of fiscal performance at the regional and local governments levels. Overall, some progress was made during the FMCDPL program period, but the outcomes were not sustained in several respects.

4.5 The consolidated fiscal balance fluctuated around the target of maintaining a deficit of below 1 percent of GDP during 2006–11. In all but 2009 this target was met, and by 2011, the fiscal balance was in surplus again at 2 percent of GDP. Since then, however, fiscal deficit has deteriorated, and in 2015 it finished at 2.1 percent of GDP, a source of concern mentioned during IEG interviews with MEF officials.

4.6 The trigger for the preparation of FMCDPL II required compliance with fiscal rules, including keeping annual real expenditure growth to below 3 percent. The fiscal rules were

redesigned partly due to a large spurt in the growth of public expenditure in 2009, when the growth rate of public spending reached 12 percent. It never recovered during the program period, standing at 7.1 percent in 2011 and higher still in 2015 at 8.2 percent.

4.7 The FMCDPL aimed to reduce the debt-to-GDP ratio from 38 percent in 2005 to 18 percent by 2011 in an environment without external shocks or to 32 percent if there were some external shocks.[3] By 2011, the external shocks produced by the global financial crisis had long passed, and the value of mineral exports rose over 50 percent from 2008 levels, but the debt-to-GDP ratio stood at 21.7 percent, rising to 23.3 percent in 2015. On the other hand, the reliance on foreign currency debt was reduced as this type of debt was between 53 and 60 percent of total outstanding debt during the program period, against the target of 65 percent, and stood at 55.2 percent in 2015.

OBJECTIVE 2: MAKE THE TAX SYSTEM MORE NEUTRAL AND STABLE

4.8 The achievement of objective 2, make the tax system more neutral and stable, is rated **modest.**

4.9 The government aimed to improve the efficiency and neutrality of the tax system and to enhance tax revenue collection by broadening the tax base, eliminating tax distortions, and improving compliance through the operationalization of a transparent and user-friendly online tax system. A number of procedural norms were enacted to register taxpayers and make it easier for them to access an Internet-based tax filing system. However, the tax base remains narrow because little progress was achieved in removing regional and sector exemptions, and new exemptions continued to be granted despite the MEF's success at blocking some requests.

4.10 Despite sluggish growth in recent years, which had a negative impact on the revenue base, tax revenue of the central government reached the modest target of 16 percent of GDP during the program period. It reached a peak of 16.4 percent in 2008 but fell to 14.4 percent in 2009 before rising back up to 16.1 percent by close of program in 2011. It continued to grow during 2012–14, but dropped to a low of 14.7 percent in 2015. Overall, tax policy reforms have proven to be very challenging.

4.11 When FMCDPL II was approved, the desired outcome of broadening the tax base was made less explicit. Raising subnational tax revenue collection was replaced by "reducing subnational government dependence on central government transfers" without a numeric target. This change reflected the shift of the reform focus from raising subnational tax collection as a source of local revenue to lowering subnational demand for central government transfers, particularly through the distribution of mining-related royalties. Although subnational dependence on transfers remained high, according to the MEF, a royalty allocation system had been put in place by 2015 that had brought larger resources to all subnational governments. Indeed, the original expected outcome of increasing subnational tax revenue was rendered impractical (see objective 4).

[3] FMCDPL II set this more ambitious target. The original target was 26 percent.

OBJECTIVE 3: STRENGTHEN BUDGET REPORTING AND PLANNING

4.12 The achievement of objective 3, strengthen budget reporting and planning, is rated **substantial.**

4.13 To strengthen the transparency, accountability and efficiency of public sector financial management and accounting, much of the efforts supported under the FMCDPL program focused on budget classification and operationalizing a newly established treasury single account (TSA). Two specific outcomes were sought: (i) to reduce the number of banking accounts of public sector entities and (ii) to have 90 percent of public sector entities use the TSA. FMCDPL II defined more ambitious targets for both measures, estimating that the number of public sector banking accounts could be reduced to 500 and usage of the TSA would reach 100 percent by 2011.

4.14 The number of banking accounts of public sector entities stood at 23,900 in 2011, which was about 60 percent of the baseline. By 2015, the number had dropped by another 30 percent to 16,972. Meanwhile, the use of the TSA increased gradually from 65 percent of the public national budget in 2007 to 82 percent in 2011 to 88 percent in 2015. These results indicate clear progress, but they fall short of expectations. Nowhere is it established what would be an appropriate number of banking accounts for Peru's public sector entities or on what basis. Clearly, the government and the World Bank determined that 40,000 banking accounts were too many at the start of the program, but getting to 500 proved unrealistic.

OBJECTIVE 4: INCREASE EQUITY IN INTERGOVERNMENTAL TRANSFERS

4.15 The achievement of objective 4, increase equity in intergovernmental transfers, is rated **modest.**

4.16 The government intended to reduce Peru's high inequality across regions through a more equitable intergovernmental transfer system. Much attention focused on setting up compensatory funds for regions and departments that had no access to revenues from mining activities. The impact of the fiscal transfer system on reducing regional inequality was originally to be measured by the dispersion of fiscal transfers, but no metric for this was established and achievement was left to "staff assessment." FMCDPL II replaced this indicator with a more narrowly defined measurement that called for increasing the number of investment projects funded through FONIPREL (Fondo de Promoción a la Inversión Pública Regional y Local), one of the compensatory funds, for subnational governments with poverty levels above 60 percent and without access to canon and royalties.

4.17 By 2011, the number of projects that met the criteria had reached 165, from just eight in 2008. Unfortunately, there is no information on the value of these investments, their relative weight in total investments, or their distributional or equity impact. According to the MEF, in 2015 the total number of projects for municipalities with poverty greater than 60 percent was 94 and that for low-income subnational governments was 160. However, given that poverty decreased in the country and all subnational governments now receive mining royalties, this indicator does not reflect current poverty targeting. Overall, although FONIPREL was an important fund for the government and has been working well,

intergovernmental transfers remain problematic because political resistance has made it difficult to change the existing transfer rules, which do not take into account the structure of the revenue cycle.

OBJECTIVE 5: IMPROVE EFFICIENCY AND IMPACT OF PUBLIC SPENDING

4.18 The achievement of objective 5, improve efficiency and impact of public spending, is rated **substantial.**

4.19 To improve the quality and impact of public spending, the government aimed to build on the prior introduction of a regulatory framework for performance-based budgeting to ensure that an increasing percentage of government budget was linked to performance indicators. This called for the establishment of a coordinated central monitoring and evaluation system that would improve decision making. This goal was well achieved: by 2011, performance indicators were linked to 10.7 percent of national and regional budget, exceeding the program target of 7 percent, and in 2016, the share expanded to 47.2 percent.

4.20 In FMCDPLs III and IV, the purpose of the monitoring and evaluation system was slightly changed from "providing information to the government and legislature for decision making purposes and setting targets and priorities" to a vaguer aim of using the monitoring and evaluation instrument simply to "inform" budgeting discussions between the MEF and the line ministries. Nevertheless, by 2011 a total of 10 executive program evaluations and 1 impact evaluation had been produced, and by 2016 the evaluation program had completed 55 program and 7 impact evaluations with another 69 program evaluations planned and 8 impact evaluations ongoing. These evaluations have focused on education, health, labor, social inclusion, and agriculture. As a percentage of the total public sector budget, excepting debt and pensions, the present estimate is that the evaluations have increased in coverage from 8.1 percent of the total budget in 2012 to 32.0 percent in 2015. The evaluation output, *Performance and Impact*, is periodically updated and made available online, but it could not be established to what extent it has been used in decision making. Great challenges remain in strengthening monitoring and evaluation at subnational levels.

Pillar II: Competitiveness

OBJECTIVE 6: EXPAND AND DEEPEN INTERNATIONAL TRADE

4.21 The achievement of objective 6, expand and deepen international trade, is rated **high.**

4.22 To expand market access for Peruvian exporters, reduce trade costs, and increase nonmineral exports, the government pursued free trade agreements with major trading partners and simplification of trade procedures and customs clearance. These measures produced noticeable changes in Peru's tariff structure and trade authorization process. The average tariff rate was reduced from a baseline of 10.05 percent in 2005 to 3.2 percent by program close in 2011, and then further to 2.20 percent in 2015. In parallel, tariff dispersion declined from 6.28 percent in 2005 to 3.9 and 3.7 percent in 2011 and 2015, respectively.

4.23 Trade authorizations were increasingly handled through the one-stop shop for foreign trade and completed electronically. By 2010, six government trade agencies were connected to the one-stop shop, and 90 percent of all authorizations were cleared online. The number of agencies included in the one-stop shop network continued to increase after the FMCDPL program closed. By 2015, it stood at 15, although it is not clear how many agencies in total were involved in trade approvals. More recent data on online trade clearance is lacking, but the trend is unlikely to be reversed. These trade facilitation measures have contributed to lower trade costs in terms of documentary requirement and time delay to import and export. The evolution of main exports (principally copper) and imports, as well as the shift from letters of credit to electronic payment, have also expedited trade processing significantly—so much so that the National Competitiveness Council no longer tracks these *Doing Business* indicators.

4.24 The more liberalized trade regime and more streamlined trade approval procedures did encourage more firms from Peru's developing regions to engage in international trade. The number of exporting firms located in these regions increased from 178 in 2005 to 248 in 2011 and 281 in 2014. However, the economy's dependence on mineral exports did not change during the program period, with the share of nontraditional exports in total exports remaining in the range of 21.5–24.4 percent, against a baseline of 24.6 percent in 2005 and a target of 35 percent by 2011. Since 2012, due to a contraction in both the volume and the value of mineral exports, the share of nontraditional exports reached 31.7 percent of total exports in 2015.

OBJECTIVE 7: MAKE PUBLIC SECTOR PROCESSES MORE TRANSPARENT, ACCESSIBLE AND AGILE

4.25 The achievement of objective 7, make public sector processes more transparent, accessible, and agile, is rated **substantial.**

4.26 Having launched an e-government platform, the government's goal during the FMCDPL program period was to promote its effective use by enacting legislation that would authorize the use of electronic signatures and consolidating services and payments processes. Success would be measured by the prevalence of central and local governments using the Sistema Electrónico de Contrataciones del Estado (State Acquisition and Electronic System; SEACE) for procurement. Although the targets became more demanding over time, by the end of the program in 2011, 91.7 percent of central and 91.5 percent of local governments were publishing and purchasing through SEACE, exceeding the revised target of 90 percent for both.

4.27 Peru's overall progress on e-government was also gauged by its international rankings in the United Nations E-Government Survey (UN 2014). These data show that Peru made significant advances in e-government infrastructure, but its participation in using the system for public services did not improve, and its e-government readiness slipped between 2006 and 2015.[4] In these two areas, Peru lagged far behind Uruguay and Chile, suggesting

[4] Infrastructure index refers to the telecom infrastructure that includes access to Internet, landlines, cellular, and fixed and Wi-Fi broadband. E-participation index refers to the use of online services by the government, including for information sharing, e-consultation with stakeholders, or decision making.

important remaining challenges ahead as recognized by the government in its latest report, *Competitiveness Agenda 2014–2018* (MEF 2014).

OBJECTIVE 8: REDUCE TRANSACTIONS COSTS FOR THE PRIVATE SECTOR TO ENTER, OPERATE IN, AND EXIT MARKETS

4.28 The achievement of objective 8, reduce transactions costs for the private sector to enter, operate in, and exit markets, is rated **modest.**

4.29 Efforts under this objective focused narrowly on expanding the TramiFacil program in three regions. Progress was measured by the number of new business licenses issued in municipalities that had implemented TramiFacil. Although the indicator lacked a baseline, the 15-fold increase in new operation licenses during 2008–11 was remarkable. However, the ICR noted that not all new licenses were used to start new businesses (World Bank 2012a). Also, the indicator is an inadequate measurement of reduced costs for entering markets, and says nothing about the costs for operating in and exiting markets, the other components of the objective.

4.30 By 2015, TramiFacil had been superseded, though not eliminated, by a comprehensive program of administrative simplification coordinated by the Public Management Secretariat in the office of the President of the Council of Ministers. According to MEF officials, the Public Management Secretariat has promoted a system of budget incentives for municipalities that meet the goal of reduced time and processes to register operating licenses in Lima and the regions, and this system is yielding positive results as reflected in the latest 2016 *Doing Business* indicators.[5] MEF officials report that as of 2014, the number of municipalities complying with the legal requirements of processing operating licenses within 15 days had increased tenfold, reaching 207 municipalities.

OBJECTIVE 9: PROMOTE SUSTAINABLE FINANCIAL DEEPENING

4.31 The achievement of objective 9, promote sustainable financial deepening, is rated **modest.**

4.32 The aim was to expand financial services to microentrepreneurs and consumers, and to reduce the risks of overindebtedness of small debtors. According to the program documents, there was a need to introduce legal and regulatory measures to promote financial innovation on one hand, and to remove constraints to promote increased credit for housing, infrastructure and for micro, small, and medium enterprises (MSMEs) on the other. Since FMCDPL II, the desired outcomes no longer addressed credit for housing and infrastructure. This coincided with the World Bank dropping from its portfolio the planned investments in these sectors.

[5] The Program of Incentives to Improve Municipal Management was established by Law # 29332 and amendments and involves a resource transfer to municipalities that have fulfilled certain goals within a specified period. Such goals are formulated by different central government public entities and their objective is to promote specific results that are defined in coordination with the municipalities.

4.33 The target was to increase credit to small and medium microenterprises above 8.5 percent of total credit by 2011. Between 2006 and 2011, the share of credit to MSMEs grew steadily from 9.2 to 17.7 percent of total credit. Since then, however, the trend has reversed, with MSME credit in total credit dropping to 12.7 percent in 2015. During this period, local currency credit to large enterprises increased rapidly, whereas credit to micro and small enterprise grew only 1.7 percent and that to medium enterprise showed a flat 0.3 percent growth. The slowing in credit to the MSMEs is explained by the higher risk associated with an increase in nonperforming loans (BCRP 2015). Having declined to 1.47 percent by 2011, the ratio of nonperforming loans began to rise again in 2012 and reached 2.54 percent in 2015, exceeding the baseline of 2.14 percent in 2005. Credit conditions were relatively tight as loan interest rates to MSMEs increased and loan repayments lagged.

Additional Objective: Proactively Manage Risk

4.34 The objective of strengthening the Government of Peru's fiscal position, risk management and crisis containment were explicitly expressed in World Bank documents when the FMCDPL II and its supplemental financing were approved. However, no expected outcomes were defined for assessing the achievement of these objectives. To boost its ability to maintain essential public spending should Peru's access to credit markets be cut, the government was very proactive in establishing multiple contingent credit lines with the World Bank, and securing precautionary loans (for example, the stand-by agreement with the International Monetary Fund; IMF 2007) and other contingent financing (for example, US$2 billion bond issued in March and September 2009). In the event, the global financial crisis dissipated quickly and did not have a large impact on Peru. It is difficult to establish the counterfactual of whether the DDO loans actually helped "calm the market."

4.35 As the emergency needs subsided, the government used the DDOs to manage risk arising not only from the events of the global crisis, but to manage risks based on its overall debt profile. Supporting the country to optimize its debt management strategy was an explicit CPS objective and an implicit goal of the DPL series (World Bank 2006b). The question of metrics for assessing the risk management objective, however, remains. Although drawdown conditions in terms of extended supervision of the macroeconomic framework and overall program were met, these do not in themselves capture the development outcome of support for better risk management.

5. Ratings

Outcome

5.1 Outcome is rated **moderately satisfactory.**

5.2 The overall outcome rating reflects the substantial relevance of the objectives and of the design, as well as partial achievement of most objectives under both pillars. It is worth noting that the government has had reasonable success in managing Peru's economic policies, improving fiscal management and strengthening competitiveness to varying degrees, and reducing poverty levels. However, in most reform areas supported by the

FMCDPL program, advances fell short of expectations or were reversed after program closing, which suggests that the root causes of the problems have not been satisfactorily addressed.

5.3 The rating also reflects the choice of DDO as a financing instrument for FMCDPL II and the supplemental loan. The rationale for these contingent credit lines was to allow the government to proactively manage risk from adverse events. As noted in the program documents for FMCDPL III in 2009, despite the widespread concerns in late 2008, the global financial crisis did not cause a lasting credit crunch for Peru. Although the contingent loans boosted the government's confidence in its ability to respond to the crisis in face of the depreciating local currency, worsening terms of trade, and rising borrowing cost in late 2008, the expected impact on calming the markets and mitigating crisis impact is difficult to assess since they were not only a part of a larger package of IBRD lending, but also were combined with support from other international financial institutions, including contingent credit lines from the International Monetary Fund.

Risk to Development Outcome

5.4 Risk to development outcome is rated **moderate.**

5.5 The FMCDPL program enjoyed strong ownership and commitment of the government as well as the support from a broad spectrum of stakeholders. Although some of the targets were missed and some outcomes achieved in 2011 were reversed in 2015 amid prolonged global recession, Peru has made solid progress in strengthening its fiscal framework. Advances in fiscal transparency and fiscal rules simplification are likely to be sustained, and the government is moving forward to tackle more difficult issues such as public financial management at subnational level, fiscal risks, and so on.

5.6 Similarly, the focused effort on concluding trade agreements with trading partners and streamlining trade procedures has benefited Peruvian exporters, which are likely to continue. At the same time, the government has realized that improving productivity and competitiveness goes beyond *Doing Business* reforms, but requires greater attention to improving education, innovation, technology, and so on, where Peru falls behind peers.

5.7 Indeed, the government is keenly aware that both the fiscal management and the competitiveness agendas have a long way to go and seeks feedback and support from multilaterals on its reforms in these areas. The World Bank continues to support the government through both knowledge and lending operations. In FY2016, the World Bank approved two large DPLs focused on public expenditure and fiscal risk management, and productivity and competitiveness, respectively. Other partners like the International Monetary Fund are also providing technical assistance. In this context, the outcome achievement under the FMCDPL program is likely to be maintained.

5.8 Finally, as shown in figure 1.1, Peru's access to international capital markets recovered quickly after the initial shock in late 2008. The government has been implementing a sound debt management strategy with the World Bank's support.

World Bank Performance

5.9 World Bank performance is rated **moderately satisfactory.**

QUALITY AT ENTRY

5.10 Quality at entry is rated **satisfactory.**

5.11 The DPL series was prepared in a favorable political and economic context in which Peru was positioned to take a significant leap in its development. The World Bank enjoyed a good relationship with the country and had a sound basis for supporting this DPL series. Prior to the approval of FMCDPL I, The World Bank had conducted a wide range of analytical work (policy notes) on the reforms that the government had chosen to pursue in the programmatic DPL series. The FMCDPLs were also well grounded on the CPS for FY2007–11, as well as Peru's own long-term vision and strategy. The results framework, as presented through program matrixes, was convincing and supported by the analytical work.

5.12 When the impact of the global financial crisis was felt in Peru, the World Bank team responded quickly. Since the government did not need an immediate budget injection but desired quickly accessible contingent lines of credit in case its access to international capital market became severely constrained, the DDO in the second operation was an appropriate option, as was its supplemental financing as the situation deteriorated toward the end of 2008.

QUALITY OF SUPERVISION

5.13 Quality of supervision is rated **moderately satisfactory.**

5.14 Supervision was done proactively as part of the negotiation of the following DPLs in the programmatic series. It also included the preparation of Implementation Status and Results Reports but only discussed progress toward the fiscal management objectives without addressing any of the competitiveness reforms or outcomes. With exception of the very first Implementation Status and Results Reports, progress toward development objectives and implementation progress was rated satisfactory throughout (World Bank 2011a–h, 2012b, 2013b, 2013c, 2014). There were no flags about possible changes in the macroeconomic and the authorizing political environments and how they could affect the achievement and sustainability of the policy reforms and outcomes.

5.15 The World Bank continued to engage proactively with the government to discuss the undisbursed FMCDPL II commitments until loan closure, through regular (though very brief) supervision reports that noted continued good macroeconomic management and continued implementation of reforms supported by the DPL series. The World Bank could potentially have used this engagement to also expand dialogue toward other program priorities.

Borrower Performance

5.16 Borrower performance is rated **satisfactory.**

5.17 The government demonstrated strong ownership of the reforms. With support from international partners, including the World Bank, the MEF put forth a compelling case for pursuing the agenda of enhancing fiscal management and strengthening competitiveness. The Central Reserve Bank of Peru played a key stewardship's role in controlling inflation and managing interest rate policy, foreign currency accounts, and international reserves, while the National Competitiveness Council led the *Doing Business* reforms. Any shortcomings encountered can be attributed to sustaining reform momentum in an environment where political support had to be secured and where the collaboration of often institutionally weak subnational governments was essential for achieving many of the targets.

5.18 The borrower showed considerable foresight and professional prudence in requesting an enlarged amount for FMCDPL II with a DDO. The lines of credit would be available without delay in the event of a crisis or emergency, and the loan proceeds would allow the government to maintain essential expenditures as needed. The DDO loans were eventually drawn down as a part of prudent and strategic debt management, which the World Bank supported.

Monitoring and Evaluation

5.19 Monitoring and evaluation is rated **substantial.**

5.20 **Monitoring and evaluation design**. The FMCDPL series had a comprehensive results framework that provided a plausible results chain linking reform actions over the entire program period to expected results. A core set of indicators was selected for progress monitoring. They were generally quantitative and measureable, with baselines and targets. According to the MEF, the World Bank showed the requisite flexibility during implementation to allow for changes in some targets to fit more realistic results expectations. Another component of the program's monitoring and evaluation design was a clause in the loan agreements for the DPLs, which required the government to deliver to the World Bank "not later than six months after the Closing Date [of the Loans], a report of such scope and in such detail as the World Bank shall reasonably request, on the execution of the Program, the performance by the Loan Parties and the World Bank of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Loan" (World Bank, 2008b and 2009a). Regarding the additional objective of crisis risk management and overall debt management, however, the operation did not have metrics that could capture achievements on this front; an issue to be considered for DDO operations going forward.

5.21 **Monitoring and evaluation implementation.** The reforms were monitored throughout the FMCDPL series using the results framework presented in each operation. The choice of indicators allowed most of them to be updated at the time of the IEG mission to assess the sustainability of the results achieved. As for the requirement in the loan agreements, given the extensive postponement of the closing dates, particularly for the DDOs, the World Bank never requested this monitoring and evaluation report and the MEF simply did not bring up the matter.

5.22 **Monitoring and evaluation use.** The monitoring and evaluation system put in place since FMCDPL I has generated the information needed for assessing reform progress; this

information was in turn used to update the outcome indicators or targets to reflect the actual reform programs and expected results as time passed. Finally, as a result of the IEG mission to prepare this PPAR, the MEF has prepared such a final report and has provided the PPAR mission with updated available data on the status of progress of the DPL program that has been essential to prepare this independent assessment.

6. Lessons

6.1 The experience of this DPL series highlights what can be expected from the World Bank's engagement with a well-performing middle-income country.

6.2 **A programmatic DPL series is a powerful tool for supporting long-term reforms.** When a strong ownership of the client is demonstrated, a programmatic series of operations can offer the World Bank and its client win-win solutions. For the World Bank, a multiyear program of support gives it a chance to pursue an extended and coherent analytical agenda that may not be feasible in multiple one-off operations. To the client, the programmatic series offers a real-time opportunity to engage with the reforms (including both the costs and benefits) and to make adjustments along the way. In the case of Peru, the government was able to advance its investment climate agenda early on and to learn about the need for deeper and longer-term challenges of upgrading the quality its workforce and technologies. The successive rounds of ever deeper reforms on trade and competitiveness, while incomplete and not implemented with maximum efficacy, would have been difficult to accomplish through separate operations, which are invariably interrupted by changes of priorities and political mandates.

6.3 **World Bank supervision of the implementation of these operations should cover all aspects of the program to take full advantage of the learning opportunities offered by a programmatic series.** It should pay greater attention to not only emerging risks during the period of program implementation, but also factors affecting the sustainability of the achievements in long-term policy reforms. In the case of Peru, supervision of the core program seemingly focused only on a few development objectives and outcomes, and left unattended a complete "pillar" of reforms. No explanation is given for this in any of the Implementation Status and Results Reports. This may have resulted in issues not being identified and therefore not addressed, in time leading to less progress than expected or reversal of outcomes achieved. It limited the ability of the World Bank and other stakeholders to fully understand and learn from the experience of this DPL series.

6.4 **Reforms move to subnational levels,** though their implementation may pose a challenge depending on the framework of fiscal decentralization. Despite all the positive steps that the government had taken to enhance efficiency in the allocation of fiscal resources, there remains a pressing need to rationalize the fiduciary and regulatory norms and the multiplicity of control and auditing instances. According to MEF officials interviewed for this evaluation, these have proliferated and seem to be driving a wedge between the central and regional governments' capacity to focus on results rather than procedures, a central objective of results-based budget management. Another area of clear priority is for the government to continue to place strong emphasis at the central and subnational levels on a robust and rigorously appraised public investment program, and enhance its assistance to

subnational governments in identifying, designing, and implementing their own programs, particularly in meeting infrastructure deficits (for example, roads, water and sanitation). To do so, the government should consider placing greater emphasis on subnational tax revenue collection and more efficient distribution of fiscal transfers to subnational governments, areas that proved somewhat lagging during the implementation period of this DPL series.

6.5 **The application of the DDO in this DPL series illustrated the World Bank's willingness and ability to support Peru at the time of the global financial crisis**. It also showed the extent to which the World Bank's new arsenal of financing instruments was able to respond to the needs of middle-income countries where both the volume and the timing of financing are important for risk management purposes. As a tool for risk management, the DDO gives clients access to a large line of credit that is affordable and fast disbursing, which helps maintain the confidence of investors and deter the resolve of speculators. As a debt management tool, the DDO offers the government an insurance policy on its debt-service and priority expenditure commitments without raising the level of external debt in advance. The discretion to call on the World Bank loan in the amount it needs when it needs to allows the government to optimize its debt structure. Moreover, by extending the loan period by up to six years and not requiring the client to draw down the loan, the DDO facilitates World Bank engagement with clients who do not need World Bank financing but value its formal and sustained support for their policy reforms. This is particularly valuable for engaging with well-performing middle-income countries.

6.6 **Yet, the present example also illustrates possible tensions between the independent selection of IBRD-financing terms and the monitoring of the World Bank's development effectiveness.** In this DPL series, the DDOs were requested and approved for risk management and crisis response purposes, but this important development objective, for which two large loans were granted in record time, was not tracked. Although monitoring of the macroeconomic framework and program implementation continued until closure of the DDOs, the depth of supervision was restricted to verification of preconditions for drawdown, as required for all DDOs, and did not try to capture the effectiveness of the loans for all their development objectives. This raises a question as to whether overall program design or continued periodic supervision should attempt to explicitly include indicators of risk management and crisis containment, to capture overall development impact of the DPL series. As this practice was repeated in multiple DPL series in Peru (and elsewhere), a substantial amount of World Bank resources is at stake.

6.7 **A parallel issue is that with its longer drawdown period and its renewal feature, the implementation period of a DPL-DDO extends beyond the program implementation period of a normal DPL, which has consequences on the expected outcomes.** This calls for attention especially in situations where the DDO was added to an ongoing DPL series, such as in Peru, which had a set of coherent, noncrisis-related policy objectives and a predetermined program period that did not (and could not) anticipate the additional crisis-related objective and the extended program implementation period. The World Bank's DDO guidelines only require the monitoring of macroeconomic stability and the continued implementation of the program. Questions can thus be raised on whether there should be any more detailed supervision or scope for review of the overall program at the time of a DDO's approval and renewal or readjustment of the IBRD-financing terms with regard to repayment

options as the country's debt management profile may have altered. Notwithstanding, the trade-off relative to the flexibility of the loan instrument is also important. These issues merit further debate.

References

Economist Intelligence Unit, The. "Peru—Country Report 2007." London: The Economist.

———. 2008. "Peru—Country Report 2008." London: The Economist.

———. 2009. "Peru—Country Report 2009." London: The Economist.

———. 2011. "Peru—Country Report 2011." London: The Economist.

———. 2015. "Peru—Country Report 2015." London: The Economist.

IMF (International Monetary Fund) 2007. "Peru: 2006 Article IV Consultation and Request for Stand-By Arrangement." Country Report No. 07/54, International Monetary Fund, Washington, DC.

MEF (Ministry of Economy and Finance of Peru). 2014. *Competitiveness Agenda for 2014–2018: Towards the Bicentennial.* Lima, Peru: National Council on Competitiveness, MEF.

———. 2016. *State of Accounts.* Lima, Peru: MEF.

———. n.d. "Peru Government Bond 9Y." Trading Economics. http://www.tradingeconomics.com/peru/government-bond-yield

Schwab, Klaus, ed. 2009. *Global Competitiveness Report 2009–2010.* Geneva, Switzerland: World Economic Forum.

———. 2010. *Global Competitiveness Report 2010–2011.* Geneva, Switzerland: World Economic Forum.

———. 2011. *Global Competitiveness Report 2011–2012.* Geneva, Switzerland: World Economic Forum.

———. 2012. *Global Competitiveness Report 2012–2013.* Geneva, Switzerland: World Economic Forum.

———. 2014. *Global Competitiveness Report 2014–2015.* Geneva, Switzerland: World Economic Forum.

Schwab, Klaus, and Michael E. Porter, ed. 2006. *Global Competitiveness Report 2006–2007.* Geneva, Switzerland: World Economic Forum.

———. 2008. *Global Competitiveness Report 2008–2009.* Geneva, Switzerland: World Economic Forum.

UN (United Nations). 2014. *E-Government Survey 2014- E-Government for the Future We Want*. New York: UN Department of Economic and Social Affairs.

World Bank. 2001. "Proposal to Introduce a Deferred Drawdown Option (DDO) for Use with IBRD Adjustment Loans." R2001-0174, September 26, World Bank, Washington, DC.

———. 2006a. "Peru—First Programmatic Fiscal Management and Competitiveness Development Policy Loan." Program Document. Report No. 37948-PE, World Bank, Washington, DC.

———. 2006b. "Peru—Country Partnership Strategy." Report No. 37913-PE, World Bank, Washington, DC.

———. 2007. "First Programmatic Fiscal Management and Competitiveness Development Policy Loan, Loan Agreement." Loan Number 7419-PE, World Bank, Washington, DC.

———. 2008a. "Proposal to Enhance the IBRD Deferred Drawdown Option (DDO) and to Introduce a DDO Option for Catastrophic Risk." January 29, World Bank, Washington, DC.

———. 2008b. Second Programmatic Fiscal Management and Competitiveness Development Policy Loan, Loan Agreement. Loan Number 7588-PE.

———. 2009a. Supplemental Financing for the Second Programmatic Fiscal Management and Competitiveness Development Policy Loan, Loan Agreement. Loan Number 7649-PE.

———. 2009b. Third Programmatic Fiscal Management and Competitiveness Development Policy Loan, Loan Agreement. Loan Number 7799-PE.

———. 2010. Fourth Programmatic Fiscal Management and Competitiveness Development Policy Loan, Loan Agreement. Loan Number 7954-PE.

———. 2011a. “Fourth Programmatic Fiscal Management and Competitiveness Development Policy Loan (P116214).” Report No: ISR2669, World Bank, Washington, DC.

———. 2011b. “Fourth Programmatic Fiscal Management and Competitiveness Development Policy Loan (P116214.” Report No: ISR4522, World Bank, Washington, DC.

———. 2011c. “Second Programmatic Fiscal Management and Competitiveness Development Policy Loan (P101590).” Report No: ISR2611, World Bank, Washington, DC.

———. 2011d. Second Programmatic Fiscal Management and Competitiveness Development Policy Loan (P101590).” Report No: ISR4519, World Bank, Washington, DC.

———. 2011e. “Second Programmatic Fiscal Management and Competitiveness Development Policy Loan (P101590).” Report No: ISR6310, World Bank, Washington, DC.

———. 2011f. “Third Programmatic Fiscal Management and Competitiveness Development Policy Loan (P106720).” Report No: ISR2778, World Bank, Washington, DC.

———. 2011g. “Third Programmatic Fiscal Management and Competitiveness Development Policy Loan (P106720).” Report No: ISR4521, World Bank, Washington, DC.

———. 2011h. “Third Programmatic Fiscal Management and Competitiveness Development Policy Loan (P106720).” Report No: ISR6217, World Bank, Washington, DC.

———. 2012a. “Program of Fiscal Management and Competitiveness Development Policy Loans, Implementation Completion and Results Report (IBRD-74190).” Report No: ICR2340, World Bank, Washington, DC.

———. 2012b. “Second Programmatic Fiscal Management and Competitiveness Development Policy Loan (P101590).” Report No: ISR8310, World Bank, Washington, DC.

———. 2013a. “Program of Fiscal Management and Competitiveness Development Policy Loan.” Series ID S116214, World Bank, Washington, DC.

———. 2013b. “Second Programmatic Fiscal Management and Competitiveness Development Policy Loan (P101590).” Report No: ISR10589, World Bank, Washington, DC.

———. 2013c. “Second Programmatic Fiscal Management and Competitiveness Development Policy Loan (P101590).” Report No: ISR12296, World Bank, Washington, DC.

———. 2014. “Second Programmatic Fiscal Management and Competitiveness Development Policy Loan (P101590).” Report No: ISR14982, World Bank, Washington, DC.

Appendix A. Basic Data Sheet

FISCAL MANAGEMENT AND COMPETITIVENESS DEVELOPMENT POLICY LOAN (IBRD-74190)

Key Project Data

US$, millions

	Appraisal estimate (US$, millions)	***Actual or current estimate*** (US$, millions)	***Actual as percent of appraisal estimate***
Total project costs	200.00	200.00	100
Loan amount	200.00	200.00	100

Actual Disbursements

	Fiscal year 2007
Appraisal estimate (US$, million)	200.00
Actual (US$, million)	200.00
Actual as percent of appraisal	100
Date of final disbursement: August 7, 2007	

Project Dates

	Original	***Actual***
Initiating memorandum	10/19/2006	10/19/2006
Negotiations	11/06/2006	11/14/2006
Board approval	12/19/2006	12/19/2006
Signing	04/30/2007	04/30/2007
Effectiveness	08/07/2007	08/07/2007
Closing date	08/05/2011	12/31/2007

Staff Time and Cost

	Staff time and cost (World Bank budget only)	
Stage of project cycle	*Staff weeks (no.)*	*Cost, including travel and consultant costs (US$, thousand)*
Lending		
FY07	47	259.44
FY08	0.00	−0.03
Total	47	259.41
Supervision		
FY08	7	60.11
Total	7	60.11

Note: FY = fiscal year.

Task Team Members

Name	*Title (at time of appraisal and closure, respectively)*	*Unit*	*Responsibility/Specialty*
Lending			
	Rossana Polastri	Country Manager	LCCPY
	Fernando Rojas	Consultant	LCSPE
	Marcelo Giugale	Sector Director	AFTPM
	Vicente Fretes-Cibils	Lead Economist and Sector Leader	LCC6C
	Ernesto May Sector	Director	SASPM
	Mauricio Carrizosa	Consultant	IEGPS
	Christopher S. Humphrey	Consultant	PRMPR
	Henry Forero Ramirez	Senior Information Officer	TWICT
	Fernando Hernandez Casquet	Senior Economist	PRMTR
	Antonio Velandia-Rubiano	Lead Financial Officer/Sovereign	BDM
	Hela Cheikhrouhou	Financial Economist	AFTFP
	Miguel Navarro-Martin	Lead Financial Officer	BDM
	Luis M. Schwarz	Senior Finance Officer	CTRLA
	Jeffrey James Rinne	Consultant	EASHD
	Alejandro Alcala Gerez	Senior Counsel	LEGLA
	Jose L. Guasch	Consultant	LCSPF

	Eduardo Martin Urdapilleta	Sr Financial Economist	LCSPF
	Linette Marie Lecussan Zuazo	Junior Professional Associate	LCSPE
	Maria Ines Thorne	Consultant	FFSFP
	Keith Mackay	Consultant	IEGCS
	Lisa Bhansali	Adviser	LCSOS
	Rosmary Cornejo	Consultant	LCSPS
	Peter Weinert		KfW
	Markus Ruhling		KfW
	Luke Haggarty		IFC
	Javier Aguilar		IFC
	Gunther Schluz-Heiss		IFC
Supervision			
	Ferenc E. Molnar	Chief Counsel	LEGAF
	Xiomara A. Morel	Sr. Financial Management Specialist	LCSFM
	Henry Forero Ramirez	Senior Information Officer	TWICT
	Evelyn Villatoro	Senior Procurement Specialist	EAPPR
	Miguel Navarro-Martin	Lead Financial Officer	BDM
	Dolores Arribas Banos	Representative	LCCEC
	Enrique Fanta	Senior Public Sector Specialist	LCSPS
	Christopher S. Humphrey	Consultant	PRMPR
	Hela Cheikhrouhou	Financial Economist	AFTFP
	Eduardo Martin Urdapilleta	Sr Financial Economist	LCSPF
	Maria Ines Thorne	Consultant	FFSFP
	Fernando Hernandez Casquet	Senior Economist	PRMTR
	Alejandro Alcala Gerez	Senior Counsel	LEGLA
	Linette Marie Lecussan Zuazo	Junior Professional Associate	LCSPE
	Joao Veiga Malta	Senior Procurement Specialist	LCSPT
	Oscar Calvo-Gonzalez	Lead Economist and Sector Leader	LCSPR

SECOND PROGRAMMATIC FISCAL MANAGEMENT AND COMPETITIVENESS DEVELOPMENT POLICY LOAN (IBRD-75880)

Key Project Data

	Appraisal estimate (US$, millions)	*Actual or current estimate (US$, millions)*	*Actual as percent of appraisal estimate*
Total project costs	370.00	370.00	100
Loan amount	370.00	370.00	100

Actual Disbursements

	Fiscal year 2008
Appraisal estimate (US$, million)	370.00
Actual (US$, millions)	370.00
Actual as percent of appraisal	100
Date of final disbursement: December 22, 2008	

Project Dates

	Original	*Actual*
Initiating memorandum	03/10/2008	03/10/2008
Negotiations	06/04/2008	06/09/2008
Board approval	08/05/2008	12/18/2008
Signing	12/01/2008	12/01/2008
Effectiveness	12/12/2008	12/12/2008
Closing date	08/05/2011	01/16/2015

Staff Time and Cost

Stage of project cycle	Staff time and cost (World Bank budget only)	
	Staff weeks (no.)	*Cost, including travel and consultant costs (US$, thousand)*
Lending		
FY08	39	264.47
FY09	6	24.14
Total	45	289.61
Supervision		
FY09	14	103.18
FY10	6	25.00
FY11	2	6.50
Total	22	134.68

Note: FY = fiscal year.

Task Team Members

Name	Title (at time of appraisal and closure, respectively)	Unit	Responsibility/Specialty
Lending			
	Rossana Polastri	Country Manager	LCCPY
	C. Felipe Jaramillo	Director	LCC6C
	Marcelo Giugale	Sector Director	AFTPM
	Rodrigo A. Chaves	Sector Director	LCSPR
	Carlos Silva-Jauregui	Lead Economist and Sector Leader	LCSPR
	Mauricio Carrizosa	Consultant	IEGPS
	Vicente Fretes-Cibils		IADB
	Graham Scott	Consultant	EASPR
	Gerardo Corrochano	Sector Manager	AFTFP
	Maria Dolores Arribas-Baños	Representative	LCCEC
	Oscar Calvo-Gonzalez	Lead Economist and Sector Leader	LCSPR
	Enrique Fanta	Senior Public Sector Specialist	LCSPS
	Jose L. Guasch	Consultant	LCSPF
	Christopher S. Humphrey	Consultant	PRMPR
	Juan Carlos Mendoza	Adviser	CFPVP

	Xiomara A. Morel	Sr Financial Management Specialist	LCSFM
	Fernando Rojas	Consultant	LCSPE
	Rashmi Shankar	Senior Economist	ECSP1
	Maria Ines Thorne	Consultant	FFSFP
	Jose V. Valderrama	Consultant	LCSFM
	Antonio Velandia-Rubiano	Lead Financial Officer/Sovereign	BDM
	Joao Veiga Malta	Senior Procurement Specialist	LCSPT
	Renan Poveda	Senior Environmental Specialist	LCSEN
	Peter Winert		KfW
	Markus Ruhling		KfW
	Luke Hggarty		IFC
	Kristian Rada		IFC
Supervision			
	Jose L. Guasch	Consultant	LCSPF
	Fernando Rojas	Consultant	LCSPE
	Jose v. Valderrama	Consultant	LCSFM
	Xiomara A. Morel	Sr. Financial Management Specialist	LCSFM
	Maria Dolores Arribas Banos	Representative	LCCEC
	Juan Carlos Mendoza	Adviser	CFPVP
	Rashmi Shankar	Senior Economist	ECSP1
	Antonio Velandia-Rubiano	Lead Financial Officer/Sovereign Debt	BDM
	Paloma Anos-Casero	Lead Economist and Sector Leader	LCSPR
	Enrique Fanta	Senior Public Sector Specialist	LCSPS
	Ekaterina Vostroknutova	Senior Economist	LCSPE
	Maria Ines Thorne	Consultant	FFSFP
	Oscar Calvo-Gonzalez	Lead Economist and Sector Leader	LCSPR
	Joao Veiga Malta	Senior Procurement Specialist	LCSPT
	Luis German Barrantes Arce		LCSPE

THIRD PROGRAMMATIC FISCAL MANAGEMENT AND COMPETITIVENESS DEVELOPMENT POLICY LOAN (IBRD-77990)

Key Project Data

	Appraisal estimate (US$, millions)	*Actual or current estimate (US$, millions)*	*Actual as percent of appraisal estimate*
Total project costs	150.00	150.00	100
Loan amount	150.00	150.00	100

Cumulative Estimated and Actual Disbursements

	Fiscal year 2009
Appraisal estimate (US$, million)	150.00
Actual (US$, million)	150.00
Actual as percent of appraisal	100
Date of final disbursement: December 29, 2009	

Project Dates

	Original	*Actual*
Initiating memorandum	06/26/2009	06/26/2009
Negotiations	09/24/2009	09/24/2009
Board approval	11/12/2009	11/12/2009
Signing	12/15/2009	12/15/2009
Effectiveness	12/18/2009	12/18/2009
Closing date	01/13/2013	01/13/2013

Staff Time and Cost

	Staff time and cost (World Bank budget only)	
Stage of project cycle	***Staff weeks (no.)***	***Cost, including travel and consultant costs (US$, thousand)***
Lending		
FY09	17	132.23
FY10	15	79.10
Total	32	211.33
Supervision		
FY10	6	51.43
Total	6	51.43

Task Team Members

Name	***Title (at time of appraisal and closure, respectively)***	***Unit***	***Responsibility/Specialty***
Lending			
	Paloma Anos-Casero	Lead Economist and Sector Leader	LCSPR
	Rossana Polastri	Country Manager	LCCPY
	C. Felipe Jaramillo	Director	LCC6C
	Marcelo Giugale	Sector Director	AFTPM
	Rodrigo A. Chaves	Sector Manager	LCSPE
	Carlos Silva-Jauregui	Lead Economist and Sector Leader	LCSPR
	Graham Scott	Consultant	PRMPS
	Jean Fracois Arvis	Senior Transport Economist	PRMTR
	Oscar Calvo-Gonzalez	Lead Economist and Sector Leader	LCSPR
	Enrique Fanta Senior	Public Sector Specialist	LCSPS
	Maria Dolores Arribas-Baños	Representative	LCCEC
	Theo David Thomas	Senior Public Sector Specialist	EASPR
	Javier Illescas	Consultant	LCSPE
	Rogelio Marchetti	Senior Financial Sector Specialist	LCSPF
	Christopher Humpfrey	Consultant	PRMPR

	Diana Ortiz Sosa	Junior Professional Associate	LCSPE
	Jose V. Valderrama	Consultant	LCSFM
	Xiomara A. Morel	Sr Financial Management Specialist	LCSFM
	Fabiola Altimari	Senior Counsel	LEGLA
	Florencia Liporaci	Program Assistant	LCSPE
	Miguel Jaramillo	Consultant	LCSPE
	Joao Veiga Malta	Senior Procurement Specialist	LCSPT
	Jose L. Guasch	Consultant	LCSPF
	Ole Jorgensen	Economist	LCSPE
	Maria Ivanova Reyes		ECSP1
	Riccardo Trezzi	Junior Professional Associate	LCSPE
	Pilar Gonzalez	Senior Counsel	LEGCF
	Banu Demir		
	Pilar Larreamendy	Senior Social Development Specialist	EASVS
	Emmy Yokohama	Country Officer	LCC6A
	Fernando Rojas	Consultant	LCSPE
	Livia Benavides	Country Operations Adviser	LCC6C
	Nelson Rodriguez		
	Ines Kudo	Senior Education Specialist	LCSHE
	Ian Walker		
	Mark Austin	Senior Operations Officer	AFTAR
	Raul Tolmos	Environmental Specialist	LCSEN
	Milagro Mayuri		
Supervision			
	Jose L. Guasch	Consultant	LCSPF
	Fernando Rojas	Consultant	LCSPE
	Jose v. Valderrama	Consultant	LCSFM
	Xiomara A. Morel	Sr. Financial Management Specialist	LCSFM
	Rossana Polastri	Country Manager	LCCPY

	Maria Dolores Arribas Banos	Representative	LCCEC
	Paloma Anos-Casero	Lead Economist and Sector Leader	LCSPR
	Enrique Fanta	Senior Public Sector Specialist	LCSPS
	Juan Carlos Mendoza	Adviser	CFPVP
	Christopher S. Humphrey	Consultant	PRMPR
	Rashmi Shankar	Senior Economist	ECSP1
	Fabiola Altimari Montiel	Senior Counsel	LEGLA
	Ekaterina Vostroknutova	Senior Economist	LCSPE
	Maria Florencia Liporaci	Program Assistant	LCSPE
	Antonio Velandia-Rubiano	Lead Financial Officer/Sovereign Debt	BDM
	Ole Hagen Jorgensen	Economist	LCSPE
	Oscar Calvo-Gonzalez	Lead Economist and Sector Leader	LCSPR
	Joao Veiga Malta	Senior Procurement Specialist	LCSPT
	Rogelio Marchetti	Sr Financial Sector Specialist	LCSPF
	Theo David Thomas	Senior Public Sector Specialist	EASPR
	Diana Ortiz Sosa	Junior Professional Associate	LCSPE
	Javier Illescas	Consultant	LCSPE

FOURTH PROGRAMMATIC FISCAL MANAGEMENT DEVELOPMENT POLICY LOAN (IBRD-79540)

Key Project Data

	Appraisal estimate (US$, millions)	*Actual or current estimate (US$, millions)*	*Actual as percent of appraisal estimate*
Total project costs	100.00	100.00	100
Loan amount	100.00	100.00	100

Cumulative Estimated and Actual Disbursements

	Fiscal year 2010
Appraisal estimate (US$, millions)	0.00
Actual (US$, million)	100.00
Actual as percent of appraisal	100
Date of final disbursement: November 10, 2010	

Project Dates

	Original	*Actual*
Initiating memorandum	06/14/2010	06/14/2010
Negotiations	07/15/2010	07/15/2010
Board approval	08/26/2010	08/26/2010
Signing	09/23/2010	09/23/2010
Effectiveness	10/25/2010	10/25/2010
Closing date	12/31/2011	12/31/11

Staff Time and Cost

Stage of project cycle	Staff time and cost (World Bank budget only)	
	Staff weeks (no.)	*Cost, including travel and consultant costs (US$, thousand)*
Lending		
FY09	1	5.5
FY10	31	161.83
FY11	12	47.35
Total	44	214.68
Supervision		
FY11	19	91.60
FY12	7	59.97
Total	26	151.57

Task Team Members

Name	*Title (at time of appraisal and closure, respectively)*	*Unit*	*Responsibility or specialty*
Lending			
	Oscar Calvo-Gonzalez	Lead Economist and Sector Leader	LCSPR
	Paloma Anos-Casero	Lead Economist and Sector Leader	LCSPR
	C. Felipe Jaramillo	Director	LCC6C
	Marcelo Giugale	Sector Director	AFTPM
	Rodrigo A. Chaves	Sector Director	LCSPR
	Carlos Silva-Jauregui	Lead Economist and Sector Leader	LCSPR
	Paulo Guilherme Correa	Lead Economist	FIEEI
	Juan Carlos Mendoza	Adviser	CFPVP
	Enrique Fanta	Senior Public Sector Specialist	LCSPS
	Javier Illescas	Consultant	LCSPE
	Rogelio Marchetti	Sr Financial Sector Specialist	LCSPF
	Diana Ortiz Sosa	Junior Professional Associate	LCSPE
	Jose Valderrama	Consultant	LCSFM

	Lourdes Consuelo Linares	Senior Financial Management Specialist	LCSFM
	Florencia Liporaci	Program Assistant	LCSPE
	Francisco Rodriguez	Procurement Specialist	LCSPT
	Emmy Yokohama	Country Officer	LCC6A
	Milagro Mayuri		
	Guillermo Lagarda	Junior Professional Associate	LCSPE
	Omar Arias	Lead Economist	ECSH4
	Fernando Rojas	Consultant	LCSPE
	Livia Benavides	Country Operations Adviser	LCC6C
	Nelson Gutierrez		
	Ines Kudo	Senior Education Specialist	LCSHE
	Ian Walker		
	Raul Tolmos	Environmental Specialist	LCSEN
	Teresa Genta-Fons	Lead Counsel	LEGLA
	Solange Alliali	Senior Counsel	LEGES
	Viviana Maya	Counsel	LEGLA
Supervision			
	Teresa Genta-Fons	Lead Counsel	LEGLA
	Solange A. Alliali	Senior Counsel	LEGES
	Paloma Anos-Casero	Lead Economist and Sector Leader	LCSPR
	Lourdes Consuelo Linares	Sr Financial Management Specialist	LCSFM
	Enrique Fanta	Senior Public Sector Specialist	LCSPS
	Maria Florencia Liporaci	Program Assistant	LCSPE
	Viviana Maya	Counsel	LEGLA
	Oscar Calvo-Gonzalez	Lead Economist and Sector Leader	LCSPR
	Emmy Yokohama	Country Officer	LCC6C
	Francisco Rodriguez	Procurement Specialist	LCSPT
	Rogelio Marchetti	Sr Financial Sector Specialist	LCSPF

	Milagro Mayuri	Temporary	LCC6C
	Diana Ortiz Sosa	Junior Professional Associate	LCSPE
	Javier Illescas	Consultant	LCSPE
	Guillermo Lagarda Cuevas	Junior Professional Associate	LCSPE

Appendix B. Prior Actions for DPL Programmatic Series and Other Tables

Table B.1. Prior Actions for DPL Programmatic Series I–IV

Prior actions taken under the DPL I program	*Prior actions taken under the DPL II program*	*Prior actions taken under the DPL III program*	*Prior actions taken under the DPL IV program*
Increase the sustainability and transparency of fiscal policy			
(1) The borrower presented legislation to Congress to strengthen monitoring and enforcement of fiscal rules, including the Sanctions Law and the creation of a Fiscal Policy Committee. Published a public debt management strategy for 2006-2008 that provides guidance to the debt manager's actions in funding and portfolio management, based on cost and risk analysis.	(1) The borrower strengthened sustainability and transparency of fiscal policy through the full compliance with fiscal rules as evidenced by the *Marco Macroeconómico Multianual* and the enactment of a regulatory framework for the treatment, limits, and registering of firm and contingent operations associated with public-private partnerships.	(1) The borrower (a) issued an economic stimulus plan to respond to the global economic crisis which is included in the borrower's 2010–12 Multiannual Macroeconomic Framework (approved by the borrower's Council of Ministers on May 30, 2009, and published in the borrower's official gazette on June 1, 2009, and updated on August 28, 2009, and published in the official gazette on August 30, 2009, pursuant to the provisions of the borrower's Supreme Decree (No. 066-2009-EF), and includes, among other things, fiscal stimulus measures aimed at expediting budget execution, as evidenced by the provisions of section 4.2 of said framework; and (b) committed to maintain prudent fiscal policy during the implementation of such plan, pursuant to the terms of the *Declaration of Principles for Fiscal Policy*, approved by the borrower's Ministerial Resolution 254-2009-EF/15 dated June 1, 2009, published in the borrower's official gazette on June 2, 2009.	(1) The borrower issued various legal instruments pertaining to performance-based transfer of resources from the executive to municipalities, including, among other things, the following: (a) a decree (*Decreto de Urgencia* No. 119-2009 *Modifican Artículos de las Leyes Nos. 29332 y 29465 y Dictan Medidas Extraordinarias Para el Financiamiento de la Continuidad de las Inversiones durante el Año Fiscal 2010*) dated December 23, 2009 and published in the borrower's official gazette (*El Peruano*) on December 24, 2009; (b) Supreme Decrees No. 002-2010-EF and 003-2010-EF, both dated January 11, 2010 and published in the borrower's gazette (*El Peruano*) on January 12, 2010, establishing the procedures regulating performance measurement criteria and targets and the allocation of resources to municipalities; and (c) Resolution No. 008-2010-EF/76.01 issued by the Directorate of Public Budget on March 30, 2010, and published in the borrower's official gazette (*El*

Prior actions taken under the DPL I program	***Prior actions taken under the DPL II program***	***Prior actions taken under the DPL III program***	***Prior actions taken under the DPL IV program***
			Peruano on April 1, 2010, approving the results of compliance by municipalities of performance targets as reported by said municipalities by February 2010.
Make the tax system more neutral and stable			
(2) The borrower implemented the first phase of tax reforms by preparing a cost-benefit analysis of eliminating existing sectoral and regional tax exemptions, enabling Internet registration for the single taxpayer identification number (RUC), and making the updated RUC database available by Internet.	(2) The borrower implemented measures for improving the efficiency and neutrality of the tax system through the issuance of Legislatives Decrees 972, 978, and 975, which provide the legal framework for (a) strategy for eliminating regional and sectoral exemptions, (b) cost-benefit analysis requirement for maintaining current exemptions and granting new ones, and (c) reduction of the financial transactions tax's effective rate to 0.07 percent starting in 2008 and to 0.05 percent starting in 2010.	(2) The borrower (a) incorporated into its Law for the Promotion of Competitiveness, Formalization and Development of Micro and Small Enterprises and of Access to Decent Employment tax simplification measures for micro and small enterprises, through the issuance of the borrower's Supreme Decree No. 007-2008-TR, published in the borrower's official gazette on September 30, 2008; and (b) is implementing such law as evidenced by Resolution No. 120-2009/SUNAT issued by SUNAT on June 3, 2009, which, among other things, approves the use of online tax declarations for micro and small enterprises.	(2) The borrower issued Resolution No. 036-2010/SUNAT dated January 29, 2010, and published in the *El Peruano* on January 31, 2010, providing for procedures aimed at improving tax compliance through, among other things, the establishment of online tax filing procedures (*Formulario Virtual para la Declaración y Pago de Renta de Segunda Categoría*) in regard to income taxes (*impuesto a la renta*).
Strengthen Budget Reporting and Planning			

Prior actions taken under the DPL I program	***Prior actions taken under the DPL II program***	***Prior actions taken under the DPL III program***	***Prior actions taken under the DPL IV program***
(3) The borrower defined an action plan and implemented first steps for adopting a treasury single account, aligning budget classification to international standards and with the chart of accounts, and automatic accounting by SIAF, and approved Treasury System Law and Accounting Law.	(3) Strengthen budgetary management through: the issuance of the Decree No. 082 which rules the incorporation in the treasury single account, at Banco de la Nación, of all "ear marked resources" (covering 16.3 percent of public resources), and the 2008 Budget Law 29142 which calls for the elaboration of a new budgetary classification, unifying budgetary and chart of account classification systems.	(3) The borrower strengthened its budget reporting and planning system as evidenced by (a) the generation of monthly treasury single account reports (from January 2009 until July 2009) covering 76 percent of the borrower's public resources set forth in its budget law for 2009 (Law No. 29289, published in the Borrower's official gazette on December 11, 2008); and (b) incorporating into SIAF the new functional budgetary classification (as reflected in its budget law for 2009).	(3) The legislature enacted the borrower's Law No. 29537, dated June 7, 2010, and published in the *El Peruano* on June 8, 2010, mandating the timely preparation and disclosure of consolidated government financial statements (*Cuenta General de la República*) and audit reports aimed at further strengthening the borrower's budget reporting capacity.
Increase equity in the intergovernmental transfers			
	(4) The borrow designed a compensatory fund for regions and departments without access to revenues from mining activities.	(4) The borrower (a) completed a progress report on the implementation of FONIPREL as of May, 2009; and (b) updated the criteria for assigning FONIPREL resources, as evidenced by (i) the issuance of MEF's Ministerial Resolution No. 168-2009-EF/15 dated April 3, 2009, and published in the borrower's official gazette on April 5, 2009; and (ii) the publication on June 1, 2009, of the competitive procedures (dated May 2009) for a third tender inviting the borrower's subnational governments to submit proposals for investment projects.	(4) Issuance of Supreme Decree No. 060-2010-EF dated February 17, 2010, and published in the *El Peruano* on February 18, 2010, setting forth a new methodology for the allocation of FONCOMUN resources to municipalities, thereby promoting equity in transfers of resources from the executive to the municipalities.

Prior actions taken under the DPL I program	***Prior actions taken under the DPL II program***	***Prior actions taken under the DPL III program***	***Prior actions taken under the DPL IV program***
Improve the efficiency and impact of public spending			
(4) The borrower enacted a regulatory framework for performance measurement and reporting, linking the budget presentation cycle with performance indicators, by which all sectors and regional governments are required to generate output and performance indicators as part of their budget submission. The 2007 sector budget submission included sector performance indicators (programs, activities and projects), including for the environment.	(5) The borrower's implementation of results-based budgeting has proceeded as reflected in the 2007 Budget Law (Law 29142) and 2008 Budget Law (Law 29142), which stipulate the gradual implementation of results-based budgeting and the introduction of programmatic formulation for the budget, and five priority programs with a results framework.	(5) The borrower (a) completed a separate evaluation report for each of the following four programs: (i) road maintenance, (ii) conditional cash transfers, (iii) strategic nutrition, and (iv) lifelong education and training, dated June 9, 2008, February 2009, June 2008, and July 11, 2008, respectively; and (b) published the results of the evolution of the first three programs mentioned in (a) herein on the MEF's web page.	(5) *The borrower has included six additional budgetary programs with a results-orientation framework in the 2010 Budget Law.**
Make public sector processes more transparent, accessible and agile			
(5) The borrower launched a strategy of e-government, including a web portal of public services such as tax administration and civil registry and issued the National Digital Agenda.	(6) The borrower introduced policies to make public sector processes more transparent, accessible, and agile, including (i) integrating the SEACE with the SIAF at the process level, (ii) issuing the new regulation for electronic signature, and (iii) discussing the draft Law on National Information System at the vice-ministry commission.	(6) The borrower (a) enacted a new procurement law (Legislative Decree No. 1017 published in the borrower's official gazette on June 4, 2008); (b) approved regulations to such new procurement law (Supreme Decree 184-2008-EF published in the borrower's official gazette on January 1, 2009); and (c) published in OSCE's website a national procurement strategy dated April 2009.	(6) *The borrower approved (a) 20 mandatory standard bidding documents for goods, consultant's services, and civil works (Resolution No. 195-2010-OSCE/PRE published in the official gazette on April 21, 2010); and (b) a procurement accreditation framework, covering all public agencies.**
Expand and deepen international trade			
(6) The borrower signed the Peru–United States Free Trade Agreement, which was ratified by Peruvian Congress; reduced tariffs to capital goods from 7 to 4 percent	(7) The borrower implemented measures for the strengthening of external trade, including the completion of the negotiations for a free trade agreement with Canada	(7) The borrower (a) signed a Free Trade Agreement with the China on April 28, 2009; and (b) enacted/issued (as the case may be) the following laws and regulations	(7) The borrower has expanded and facilitated international trade through: (i) the conclusion of the negotiation process of a proposed trade agreement between the

Prior actions taken under the DPL I program	*Prior actions taken under the DPL II program*	*Prior actions taken under the DPL III program*	*Prior actions taken under the DPL IV program*
in 196 lines and published national guidelines to tariff policy; and created a Ventanilla Única, one-stop shop, with the objective of establishing uniform authorization and control of imports and exports subject to nontariff measures.	reduction of the average tariff rate to 5% and the tariff dispersion to 5.9% (Decrees 091-2007, 105-2007, 158-2007, 038-2008), and implementation of the external trade one-stop shop to the 90 percent of controlled merchandise. The TramiFacil program was expanded to municipalities in three regions (Puno, Cajamarca, and Lima).**	oriented toward facilitating trade, all of which are consistent with the provisions of the borrower's Trade Promotion Agreement (Acuerdo de Promoción Comercial) with the United States of America, dated April 12, 2006 (ratified by the borrower's Legislative Resolution No. 28766, dated June 29,2006): (i) Legislative Decree No. 1036, published in the borrower's official gazette on June 25, 2008, which expands the application of the borrower's one-stop shop for international trade; (ii) Supreme Decree No. 009-2008-MINCETUR, published in the borrower's official gazette on December 5, 2008, which regulates the provisions of the Legislative Decree mentioned in (i) herein; (iii) Legislative Decree No. 1053 published in the borrower's official gazette on June 27, 2008, which approves the borrower's General Customs Law; and (iv) Supreme Decree No. 010-2009-EF published in the borrower's official gazette on January 16, 2009, which regulates the provisions of the Legislative Decree mentioned in (iii) herein.	borrower and the European Union, as evidenced by the signing of the Joint Declaration for a Free Trade Agreement with the European Union on May 19, 2010; and (ii) the introduction of expedited custom procedures through the issuance of Supreme Decree no. 096-2010-EF dated March 26, 2010, and published in the borrower's official gazette (*El Peruano*) on March 27, 2010, establishing October 1, 2010, as the completion date for the progressive implementation of simplified customs procedures.
Promote sustainable financial deepening			
	(8) The borrower promoted sustainable financial deepening of micro and consumer credit through	(8) The borrower approved banking norms, which conform to the regulatory, capital, evaluation, and	(8) The borrower adopted Resolution CONASEV No. 068-2009/94.01.1, dated September 24, 2009, and

Prior actions taken under the DPL I program	*Prior actions taken under the DPL II program*	*Prior actions taken under the DPL III program*	*Prior actions taken under the DPL IV program*
	the issuing by the Superintendency of Banks, Insurance, and Pension Funds of the following resolutions: Resolution 1237 / 2006, which approves the Rule for the Retail Debtors Overindebtedness Risk Management; Resolution 1122 / 2006, which approves the Rule for the Expanding the Operations of Nonbanking Financial Institutions: and Resolution 215 / 2007, which approves the Microinsurance Rule. Measures were taken to deepen financial instruments and services: CONASEV approved the Rule of Securitization, Resolution 087 / 2007, which allows the use of assets in the securitization process.	risk management standards of Basel II, including the strengthening of the regulatory framework governing overindebtedness risk management, as evidenced by the issuance of (a) Legislative Decree No. 1028 published in the borrower's official gazette on June 22, 2008, which amends the borrower's General Law of the Financial and Insurance System and the Organic Law of the Superintendency of Banks, Insurance, and Pension Funds; and (b) Resolution S.B.S. No. 6941-2008 published in the borrower's official gazette on August 26, 2008, which approves the regulations for the administration of overindebtedness risk of small debtors.	published in the borrower's official gazette *(El Peruano)* on September 29, 2010, which aimed at strengthening the borrower's regulatory framework for asset securitization and therefore promoting the development of the borrower's capital markets.

Sources: Program of Fiscal Management and Competitiveness Development Policy Loans, Implementation Completion and Results Report (IBRD-74190), Report No: ICR2340, June 1, 2012, and Informe Final de Ejecucion, Serie de Prestamos Programaticos de Gestion Fiscal y Crecimiento Economico del Banco Mundial, Unidad de Coordinacion de Prestamos Sectoriales, Minsiterio de Economia y Finanzas, Agosto 23, 2016.

Note: CONASEV = Comisión Nacional Supervisora de Empresas y Valores (National Stock and Business Supervisory Commission); FONIPREL = Fondo de Promoción a la Inversión Pública Regional y Local (Fund for Regional and Local Investment); FONCOMUN = Fondo de Compensación Municipal (Municipal Compensation Fund); MEF = Ministry of Economy and Finance of Peru; MINCETUR = Ministerio de Comercio Exterior y Turismo (Minister of Foreign Trade and Tourism); OSCE = Organismo Supervisor de las Contrataciones del Estado (Supervising Agency of the Government Procurement); SEACE = Sistema Electrónico de Contrataciones del Estado (State Acquisition and Electronic System); SIAF = Sistema Integrado de Administración Financiera (System for Integrated Financial Management); SUNAT = Superintendencia Nacional de Aduanas y de Administración Tributaria (National Tax Superintendency)

Table B.2. Fiscal Management and Competitiveness Development Policy Loans I–IV: Results Framework and Outcomes Indicators

Action areas		Results indicators			Achievement of objective
	Baseline value - 2005 (Source ICR)	**Expected outcome end of program 2011**	**Outcome 2011/2012 (Source ICR/ICRR)**	**Actual Outcome 2015 (source MEF)**	**PPAR**
1. Increase sustainability and transparency of fiscal policy					
1. Fiscal Balance of the consolidated public sector	-0.3 % of GDP	>-1 % of GDP	1.9/2.3 % of GDP	-2.1 % of GDP	NA
2. Current expenditure growth is prudent and within fiscal rules limits.	8.9 % of GDP	<3%	7.1/10.4%	8.2%	NA
3. Stock of public debt/GDP decreases.	37.7 % of GDP	26% (18 % if no adverse external shocks or 32 % if some external shocks)	22.1/20.4%	23.3	PA
4. Reduce the foreign currency public debt as percentage of total outstanding debt	74%	65 %	52.6/50.3 %	55.2%	A
2. Make the tax system more equitable, transparent, neutral and stable					
5. Increase medium term tax revenue of the central government • **Subnational revenue collection increases**	13.6 % of GDP 8%	At least 16 % of GDP 10%	15.5 % of GDP	14.7 % of GDP	NA
3. Strengthen budget reporting and planning					

6. Number of banking accounts of public sector entities is reduced to a minimum level	40000	Estimate of 500	23900	16972	NA
7. Public national budget resources are in the Single Treasury Account	65% (2007)	100 %	81/82%	88%	PA
4. Increase equity in intergovernmental transfers					
8. An increasing number of investment projects are financed through FONIPREL fund for subnational governments with poverty levels above 60% and without access to canon and royalties.	8 (2008)	n.a.	165	160 (change definition)	PA
5. Improve the efficiency and impact of public spending on a national, subnational and sectoral level					
9. National and regional governments budget is linked to performance indicators	0	7%	10.7%	47.2% (2016)	A
10. Use of monitoring and evaluation instruments for budgetary discussions	0	n/s	10 program evaluations and 1 impact evaluation	55 program & 7 impact evaluations (2016)	PA
6. Expand and deepen international trade					
11. Gradual decrease in: • **average tariff**	10.05% 6.28%	n.a. n.a.	3.2% 3.9%	2.2 3.7	A A

• **tariff dispersion reduction**					
12. Nontraditional exports percentage share in total exports increases	24.6	35%	21.9	31.7	PA
13. Increase the number • **of new exporting firms located in developing regions** • **of exporting firms located in developing regions**	24 178	39. n.a.	n/a 248	n/a 281 (2014)	NA A
14. Trade costs and fees are reduced to acceptable minimum levels measured by: • **Import Delays** • **Import documents** • **Export delays** • **Export documents**	31 days 13 24 days 7	n/s n/s n/s n/s	17 days 8 12 6	Methodology has changed and indicators no longer tracked	A A A A
7. Make public sector processes more transparent, accessible and agile					
15. Central Government agencies are publishing and purchasing through SEACE	68%	90%	91.7%	n/a	A
16. Local governments are publishing and	45%	90%	91.5	n/a	A

purchasing through SEACE					
17. Improvements in E-government: • **Readiness ranking** • **Participation index** • **Infrastructure index**	56/179 0.2698 0.1091	n/s	82/190 0.259 0.395	72/193 .2718 .7059	NA A A
8. Reduce transaction costs for the private sector to enter, operate in, and exit markets					
18. Trade government agencies are connected to the one-stop shop for foreign trade	0	8	6	15	A
19. Trade authorizations from other agencies for customs clearance done electronically	0	90%	90%	n/a	A
20. Double the number of new businesses with operating licenses in municipalities that have implemented TramiFacil	3 regions	6 regions	9667 (change definition)	207 (municipalities)	A
9. Promote sustainable financial deepening					
21. Increase MSME credit as a percentage share of total loans	8.5%	n/s	17.7%	12.7%	PA
22. Declining ratio of nonperforming loans is maintained at a minimum acceptable level	2.14% of total gross loans	n/s	1.47%	2.54%	NA

Appendix C. List of Persons Met

Name	*Title*	*Organization*
Jorge Estrella Viladegut	Gerente de Politica Monetaria	Banco Central de Reserva del Peru
Fernando Vasquez Sanabria	Subgerente de Politica Economica	Banco Central de Reserva del Peru
Jesús Ruitón Cabanillas	Director de Proyectos de Inversión Pública	Ministry of Economy and Finance
Carlos Augusto Blanco Caceres	Director General Endeudamiento y Tesoro Público	Ministry of Economy and Finance
Valentin Cobeñas A.	Director de Financiamiento	Ministry of Economy and Finance
Franklin Huaita Alfaro	Asesor de la Vice-Ministra de Hacienda	Ministry of Economy and Finance
José Luis Paco Fernández	Direccion General de Presupuesto Publico	Ministerio de Economia y Finanzas
Anthony Moreno Reaño	Direccion General de Inversión Pública	Ministerio de Economia y Finanzas
Laura Calderón	Asesora del Gabinete de Asesores del Despacho Ministerial	Ministry of Economy and Finance
César Liendo	Director General de Política Macroeconómica y Descentralización	Ministry of Economy and Finance
Angelica Matsuda	Directora Ejecutiva	Consejo Nacional de la Competitividad
Miguel Jaramillo Baanante	Director Ejecutivo	Grupo de Analisis para el Desarrollo (GRADE)
José Luis Escaffi de Apoyo	Gerente General	Apoyo Consultoria
Gabriela Carrasco	Asociada	Apoyo Consultoria
Geoffrey Cannock	Socio	Apoyo Consultoria
Elmer Cuba	Socio Director	Macroconsult
Alvaro Monge	Socio	Macroconsult
Roberto Abusada		Instituto Peruano de Economia
Alejandro Santos	Representante Residente del FMI, Peru & Paraguay	IMF
Livia Benavides	Country Coordinator	World Bank
Karina Olivas	CMU	World Bank
Marc Schiffbauer	Senior Economist	World Bank
Ernesto Franco Temple	Investment Climate Trade and Competitiveness	IFC

Appendix D. Borrower Comments

Estimada Sra. Sun,

Tengo el agrado de dirigirme a usted en relación a la Carta S/N del 15 diciembre 2016, mediante el cual remiten un borrador del informe "Project Performance Assessment Report (PPAR)" de los Préstamos Programáticos del Asunto (P101335, P101590, P115120, P106720, P116214), para los comentarios respectivos.
Al respecto, agradeceremos realicen la siguiente corrección a la Tabla 1.1 Selected Macroeconomic Indicators:

D. Trade and Exchange rate
1. Exchange rate (Nuevo Soles per US dollar)

Saludos cordiales,

Jennie Alfaro Vargas
Especialista Sectorial
Dirección-Unidad de Coordinación de Préstamos Sectoriales
Dirección General de Endeudamiento y Tesoro Público
Ministerio de Economía y Finanzas
Jr. Cuzco 177 - Edificio Banco Materiales - Piso 5- Cercado, Lima
Teléfono: 3115930-3115900 (5622). Directo 311-5959 / 311-5958