



## BOOSTING HUMAN CAPITAL AND PRODUCTIVITY DEVELOPMENT POLICY FINANCING WITH A DEFERRED DRAWDOWN OPTION (P156858)

LATIN AMERICA AND CARIBBEAN | Peru | Macroeconomics, Trade and Investment Global Practice | IBRD/IDA | Development Policy Lending | FY 2016 | Seq No: 3 | ARCHIVED on 06-Aug-2020 | ISR42937 |

Implementing Agencies: Ministerio de Economía y Finanzas, Ministerio de Economía y Finanzas

## Key Dates

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Bank Approval Date: 11-Feb-2016

Effectiveness Date: 28-Apr-2016

Original Closing Date: 18-Feb-2019

Revised Closing Date: 18-Feb-2022

## Project Development Objectives

Program Development Objective (from Program Document)

Project Development Objective (Note: will be disclosed in the MOS) The proposed Boosting Productivity for Growth Development Policy Financing with a Deferred Drawdown Option (DPF-DDO) aims to support Peru's efforts to foster productivity growth under a more challenging external environment. Lower export demand, including from China, worsening terms of trade, and the prospects of higher borrowing costs is affecting a large number of emerging economies. In this context, a larger portion of economic growth in Peru will have to come from further increasing productivity. The proposed DPF-DDO supports measures targeting key productivity constraints by enhancing the quality of human capital and fostering competition pressures and trade to boost firms' productivity. Board Schedule Comments

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

## Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	<input type="checkbox"/> Satisfactory	<input type="checkbox"/> Satisfactory
Overall Implementation Progress (IP)	<input type="checkbox"/> Moderately Satisfactory	<input type="checkbox"/> Moderately Satisfactory
Overall Risk Rating	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate

## Implementation Status and Key Decisions

The macroeconomic policy framework continues to be adequate for the DDO disbursement, even though macroeconomic risks are high in general and substantial from the point of view of the DDO-supported Program. Due to the impact of the COVID-19 pandemic, the economy is expected to slide into an acute recession as GDP is expected to contract by around 12 percent in 2020. In response to the crisis, the Government has deployed an economic package with measures aimed at strengthening the health system and supporting companies and families, in order to limit the socioeconomic fallout of the pandemic and support the recovery. In the context of lower growth, the fiscal deficit is expected to reach 9 percent in 2020 and public debt is likely to surpass the 30 percent limit set by fiscal rules. Even when the expected rebound in GDP and tax revenues in 2021 will lower the deficit, a clear strategy for fiscal consolidation will be needed to sustain investors' confidence. The pandemic has also affected several policy areas supported by the operation, resulting in some delays in their implementation throughout 2020, even though most of the Program reforms are well-advanced and many results have already been achieved as of end-2019. Nonetheless, given the severity of the crisis and its likely impact on the results attained throughout 2020, the team recommends postponing the target year for the evaluation of the Program until 2021 (instead of end 2020 agreed during the previous supervision mission in June 2019).

**Risks****Systematic Operations Risk-rating Tool**

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	--	<input type="checkbox"/> Moderate	<input type="checkbox"/> Substantial
Macroeconomic	--	<input type="checkbox"/> Moderate	<input type="checkbox"/> Substantial
Sector Strategies and Policies	--	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate
Technical Design of Project or Program	--	<input type="checkbox"/> Low	<input type="checkbox"/> Low
Institutional Capacity for Implementation and Sustainability	--	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate
Fiduciary	--	<input type="checkbox"/> Low	<input type="checkbox"/> Low
Environment and Social	--	<input type="checkbox"/> Low	<input type="checkbox"/> Low
Stakeholders	--	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate
Other	--	--	--
Overall	--	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate

**Results****Results Indicators**

Pillar 1. Enhancing the education policy framework to enable better quality of skills				
IN00695915				
► UPDATED TARGET: Increase the share of programmed merit-based promotions and appointments for teachers and school principals within the Teaching Career outside Lima and Callao (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	60.00	81.00	74.00	80.00
Date	31-Dec-2014	31-Dec-2017	31-Dec-2019	31-Dec-2020
Comments:	<p><b>The original result indicator was met.</b> The share of programmed merit-based promotions and appointments for teachers and school principals within the Teaching Career outside Lima and Callao increased from 60 percent in 2014 to 81 percent in 2017. The share of appointed teachers and school principals within the Teaching Career outside Lima and Callao amounted to 78 percent in 2017 and the share of promoted teachers and school principals to 82 percent.</p> <p><b>The new result indicator for merit-based teaching career</b> should continue emphasizing the merit-based promotion appointment of teachers in disadvantaged areas in order to ensure the sustainability of the reform. As this indicator relates to a geographical dimension and approximately two thirds of the population reside outside Lima, just maintaining the current proportion of appointments and promotions outside Lima will be challenging and will continue increasing the relative quality of teachers in other zones of Peru. The result indicator will be: <i>Increase the share of programmed merit-based promotions and appointments for teachers and school principals within the Teaching Career outside Lima and Callao from 60% in 2014 to 80% in 2020.</i></p>			
IN00695935				
► NEW INDICATOR: Increase (by 3 pp) in the proportion of students that attain the level 2 or superior for Sciences, Math and Reading (Text, Custom)				



	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	41.5% in Science, 33.9% for Math and 46.1% for Reading	Not available	45.5% in Science, 39.7% for Math and 45.7% for Reading	44.5% in Science, 36.9% in Math and 49.1% in Reading
Date	31-Dec-2015	--	31-Dec-2018	31-Dec-2020
Comments:	This is a new indicator which was added following the extension of the DPF DDO series. It has replaced the indicator ( <i>Increase the number of secondary schools that implement the new school-day model from 0 in 2014 to 1500 in 2017; and include learning outcomes in the stated targets of the performance-based financial incentive mechanism for subnational entities: baseline: 0% in 2014, target: 100% in 2017.</i> ), which will no longer be monitored. The new indicator will measure Peru's progress in improving educational outcomes by comparing results of PISA 2015 and PISA 2018.			
IN00695917				
► NEW INDICATOR: Increase private sector investment (commitments through signed contracts through works for taxes and PPPs) in the construction and/or maintenance of public schools (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	not available	US\$300 million between 2015 and 2020
Date	31-Dec-2014	--	31-Dec-2019	31-Dec-2020
Comments:	This is a newly worded indicator which was amended following the extension of the DPF DDO series. It has replaced the indicator ( <i>Increase private sector investment in the construction and/or maintenance of public schools from 0 in 2014 to US\$150 million in 2017</i> ), which will no longer be monitored and was removed from the Results Matrix. The indicator latest information was not obtained during the virtual supervision mission. The team will update the indicator during the subsequent ISR mission planned for June 2021.			
IN00695923				
► UPDATED TARGET: Increase in the number of universities and university programs under revision to be licensed (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0 percent of universities	28 universities	95 percent	100 percent universities
Date	31-Dec-2014	31-Dec-2017	07-Jul-2020	31-Dec-2020
Comments:	<b>The original result indicator was exceeded.</b> By the end of 2017, SUNEDU accredited 28 universities (7 public and 21 private) and other 117 were under revision to be licensed, for a total 145 universities either licensed or under revision. This exceeds the original target indicator of 20 universities and university programs. During 2018, additional 31 universities were accredited, bringing the number of accredited entities to 59 (25 public and 24 private). By the end of 2019 the process of accreditation should finish. <b>The new result indicator</b> will reflect the completion of the accreditation cycle. The result indicator will be reformulated to the following: <i>The share of licensed universities increases from 0% in 2014 to 100% in 2020.</i>			
IN00695921				
► REMOVED: Increase the number of secondary schools that implement the new school-day model (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	2,001.00	2,001.00	1,500.00
Date	31-Dec-2014	31-Dec-2017	31-Dec-2017	31-Dec-2017



Comments:	<p><b>The original result indicator was exceeded.</b> At the end of 2017, there were 2,001 schools taking part of the extended school-day program, largely exceeding the original target indicator. This number remained unchanged in 2018.</p> <p><b>Following the extension of the DPF DDO series this indicator will not be maintained.</b> Instead, this area of reforms could directly target an improvement in the student's learning outcomes, which is the ultimate objective of DDO-supported prior action. Therefore, the new result indicator will be: <i>Increase in 3 pp in the proportion of students that attain the level 2 or superior for Sciences, Math and Reading between 2015 and 2018, according to the results of the PISA evaluation. Baseline 2015: 41.5% in Science, 33.9% for Math and 46.1% for Reading. Target 2018: 44.5% in Science, 36.9% in Math and 49.1% in Reading.</i></p> <p><b>The indicator is not subject to further monitoring.</b></p>			
	<input type="checkbox"/> and include learning outcomes in the stated targets of the performance-based financial incentive mechanism for subnational entities (Percentage, Custom Supplement)			
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	100.00	100.00	100.00
IN00695914				
	<p>► REMOVED: Increase private sector investment in the construction and/or maintenance of public schools (Amount(USD), Custom)</p>			
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	78,000,000.00	78,000,000.00	150,000,000.00
Date	31-Dec-2014	31-Dec-2017	31-Dec-2017	31-Dec-2017
Comments:	<p><b>The result indicator was not met but an acceleration of the participation of the private sector is expected.</b> The total investment committed through the Oxl mechanism by the end of 2017 represented only US\$ 78 million, below the US\$ 150 million targeted. Delays in the initial preparation of projects is the main factor that explains the gap. However, since late 2016, the signing of agreements with private companies accelerated and continued in 2017. Even there were not agreements signed in 2018, 15 agreements are expected to be closed by 2019.</p> <p><b>Following the DPF DDO extension, the result indicator was clarified and recorded as a new indicator.</b> The result indicator for this policy area was improved to specify ambiguities related to concepts like budgeted/ committed/ executed as well as stock vs. flow concepts. This reworded result indicator will be: <i>Increase private sector investment (commitments through signed contracts through works for taxes and PPPs) in the construction and/or maintenance of public schools; 0 in 2014; US\$300 million between 2015 and 2020.</i> Given the amended wording, the current indicator will be removed from the Results Matrix and will no longer be monitored.</p> <p><b>The indicator is not subject to further monitoring.</b></p>			

## Pillar 2. Facilitating the entry, operation, and exit of firms

IN00695924				
	<p>► UPDATED TARGET: Increase in the number of new firms incorporated online in the System of Online Registration (Sistema de Intermediación Digital-SID) (Number, Custom)</p>			
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	18,044.00	41,778.00	40,000.00
Date	31-Dec-2014	31-Dec-2017	31-Dec-2019	31-Dec-2020
Comments:	<p><b>The original result indicator was met.</b> The number of new firms incorporated online in the System of Online Registration (<i>Sistema de Intermediación Digital-SID</i>) amounted to 18,044 by December 2017, far exceeding the target number of online registrations in the result indicator (5,000).</p> <p><b>The new result indicator agreed with the authorities is the following:</b> <i>Number of new firms incorporated online in the System of Online Registration (Sistema de Intermediación Digital-SID); 0 before October 2014; 40,000 between October 2014 and 2020.</i></p>			



IN00695925				
► UPDATED TARGET: Increase in the number of bureaucratic barriers voluntarily removed from the legal framework by entities of the Public Administration due to an action of INDECOPi (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	91.00	4,348.00	17,555.00	6,000.00
Date	31-Dec-2013	31-Dec-2017	31-Dec-2019	31-Dec-2020
Comments:	<p><b>The original result indicator was exceeded.</b> The number of bureaucratic barriers voluntarily removed from the legal framework by entities of the Public Administration due to an action of INDECOPi amounted to 4,348 by December 2017, far exceeding the envisioned target for the result indicator of 1,000.</p> <p><b>The new result indicator agreed with the authorities is the following:</b> <i>Number of bureaucratic barriers voluntarily removed from the legal framework by entities of the Public Administration due to an action of INDECOPi; 91 in 2013; 6,000 between 2014 and 2020.</i></p>			
IN00695926				
► UPDATED TARGET: Reduction in the average amount of monthly withholdings (which would increase liquidity for firms) due to the system (Amount(USD), Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	154,000,000.00	42,000,000.00	160,000,000.00
Date	31-Dec-2014	31-Dec-2017	29-May-2020	31-Dec-2020
Comments:	<p><b>Result indicator was met:</b> Even with the recalibration of the program, monthly withholdings (which would increase liquidity for firms) reduced by US\$ 154 million, far exceeding the US\$ 75 million original target set by the Program.</p> <p><b>New result indicator:</b> The new result indicator should still reflect that even with the modifications to the regime, the tax authority maintains the goal of improving liquidity for firms. This will be: <i>Reduction in the average amount of monthly withholdings (which would increase liquidity for firms) due to the system by US\$ 180 million from 2014 to 2020.</i></p> <p>The updated value of the indicator as of May 2020 is based on partial information only and would need to be verified during the next supervision mission planned for June 2021.</p>			
IN00695982				
► NEW INDICATOR: Increase the number of electronic auctions for asset foreclosures (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	4,627.00	3,500.00
Date	31-Dec-2015	--	31-Dec-2019	31-Dec-2020
Comments:	<p>This is a new indicator which was added following the extension of the DPF DDO series. It has replaced the indicator (<i>Increase in the average recovery rate of creditors on insolvencies from 28.5% in 2014 to 36% in 2018</i>), which will no longer be monitored.</p>			
IN00695922				
► REMOVED: Increase in the average recovery rate of creditors on insolvencies (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	28.50	29.80	29.80	36.00
Date	31-Dec-2014	31-Dec-2017	31-Dec-2017	31-Dec-2018
Comments:	<p><b>The original result indicator was not met.</b> Despite the institutional reforms, the average recovery rate of creditors on insolvencies amounted to 29.8 percent according to Doing Business 2019, below the</p>			



envisioned target rate of 36 percent in the result indicator. According to the authorities, the DB indicator related to recovery rate is too broad to measure the progress of reforms supported by the DDO. The indicator is subject to many factors exogenous to the reforms, for example companies are not required to use certified liquidators and administrators, they also are not obliged to use online auction mechanisms. Therefore, the Government has suggested to use alternative measures, for example related to the increasing use of electronic auctions.

**Following the DPF DDO extension, the new result indicator agreed with the authorities is the following:** *Increase the number of electronic auctions for asset foreclosures from 0 before 2015 to 3,500 between 2015 and 2020.*

**The old indicator is not subject to further monitoring.**

### Pillar 3. Reducing transaction costs in trade

IN00695930

► **NEW INDICATOR:** Reduce the time to import (measured as TTLM - total time to release good imports) (decline of 40% by 2020 compared to 2014) (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	155 hours in 2014, monthly average	--	65 hours, monthly average	93 hours in 2020, monthly average
Date	31-Dec-2014	--	30-Jun-2020	31-Dec-2020

IN00695928

► **UPDATED TARGET:** Increase in the number of Conformity Assessment Bodies for products, processes, and management systems (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	115.00	172.00	228.00	190.00
Date	31-Dec-2014	31-Dec-2017	31-Mar-2020	31-Dec-2020

Comments:

**The result indicator was exceeded.** The number of accredited Conformity Assessment Bodies for products, processes, and management systems amounted to 172 by December 2017, exceeding the envisioned target of the result indicator of 140.

**Following the DPF DDO mission, the result indicator was updated and agreed with the authorities:** *Increase in the number of Conformity Assessment Bodies for products, processes, and management systems by 65% from 2014 to 2020 (baseline: 115 in 2014, target: 190 in 2020).*

IN00695927

► **REMOVED:** Decline in the time to import (by 10% in 2017 compared to 2014) (Hours, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	72.00	72.00	72.00	65.00
Date	31-Dec-2014	31-Dec-2017	31-Dec-2017	31-Dec-2017

Comments:

**The result indicator was not met.** In spite the progress in implementing customs reforms, the time to import as measured by the Doing Business data has not changed since 2014. The Peruvian Customs Authorities apply an alternative indicator, called TTLM (*tiempo total de liberación de mercancías*), which measures the effective time from the arrival of the product to its release from customs. This alternative indicator has declined from 155 hours in 2014 to approximately 99 hours by 2017.

**Following the DPF DDO extension, a new result indicator agreed with the authorities is the following:** *The time to import (measured as TTLM - total time to release good imports) declines by 40% in 2020 compared to 2014. Baseline: 155 hours in 2014, monthly average. Target: 93 hours in 2020, monthly average.*

**The old indicator is not subject to further monitoring.**

**Data on Financial Performance****Disbursements (by loan)**

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P156858	IBRD-85830	Effective	USD	1,250.00	1,250.00	0.00	665.68	584.32	53%

**Key Dates (by loan)**

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P156858	IBRD-85830	Effective	11-Feb-2016	04-Apr-2016	28-Apr-2016	18-Feb-2019	18-Feb-2022

**Tranches****Restructuring History**

There has been no restructuring to date.

**Related Project(s)**

There are no related projects.