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AND

MULTILATERAL INVESTMENT GUARANTEE AGENCY

PERFORMANCE AND LEARNING REVIEW

OF THE COUNTRY PARTNERSHIP FRAMEWORK

FOR

THE REPUBLIC OF PERU

FOR THE PERIOD FY17-FY21

April 25, 2019

Bolivia, Chile, Ecuador and Peru Country Management Unit
Latin America and the Caribbean Region

The International Finance Corporation
Latin America and the Caribbean Region

The Multilateral Investment Guarantee Agency

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The date of the last Country Partnership Framework was May 2, 2017 (Report No.112299-PE)

FISCAL YEAR

January 1 – December 31

CURRENCY EQUIVALENTS

US\$1 = 3.38 New Soles

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MAIN ABBREVIATIONS AND ACRONYMS

ASA	Advisory Services and Analytics
BCRP	Central Reserve Bank of Peru (<i>Banco Central de Reserva del Perú</i>)
B40	Bottom 40 percent of the population
CAF	Latin American Development Bank (<i>Banco de Desarrollo de América Latina</i>)
CAT-DDO	Catastrophe Deferred Drawdown Option
CPF	Country Partnership Framework
DPF-DDO	Development Policy Financing with a Deferred Drawdown Option
EB	European Bank
ENAH0	Household Survey (<i>Encuesta Nacional de Hogares</i>)
EPSs	State Owned Water Enterprises (<i>Empresas Prestadoras de Servicios de Saneamiento</i>)
ESSALUD	Social Health Insurance (<i>Seguro Social de Salud</i>)
FDI	Foreign Direct Investment
FIP	Forest Investment Program
GDP	Gross Domestic Product
GEF	Global Environment Facility
GoP	Government of Peru
IBRD	International Bank for Reconstruction and Development
IDB	Inter-American Development Bank
IFC	International Finance Corporation
INEI	National Institute of Statistics and Informatics (<i>Instituto Nacional de Estadística e Informática</i>)
IPF	Investment Project Financing
MEF	Ministry of Economy and Finance (<i>Ministerio de Economía y Finanzas</i>)
MIGA	Multilateral Investment Guarantee Agency
MINEDU	Ministry of Education (<i>Ministerio de Educación</i>)
OECD	Organization for Economic Co-operation and Development
PER	Public Expenditure Review
PIU	Project Implementation Unit
PLR	Performance and Learning Review
PPP	Public Private Partnership
PROINVERSION	Private Investment Promotion Agency (<i>Agencia de Promoción de Inversión Privada</i>)
RAS	Reimbursable Advisory Services
SCD	Systematic Country Diagnostic
SDG	Sustainable Development Goal
SME	Small and Medium Enterprises
STEM	Science, Technology, Engineering and Mathematics
SUNAT	National Superintendence of Tax Administration (<i>Superintendencia Nacional de Administración Tributaria</i>)
SWAP	Sector Wide Approach Project
TA	Technical Assistance
US	United States of America

WBG
WSS

World Bank Group
Water & Sanitation Services

**PERFORMANCE AND LEARNING REVIEW
OF THE COUNTRY PARTNERSHIP FRAMEWORK FOR THE REPUBLIC OF PERU**

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I. INTRODUCTION

1. **This Performance and Learning Review (PLR) summarizes progress in the implementation of the World Bank Group (WBG) Country Partnership Framework (CPF) for the Republic of Peru for the period FY17-FY21, which was discussed by the Board of Executive Directors on May 2, 2017 (Report No. 112299-PE).** The CPF focuses on eight critical objectives structured across three pillars: (i) Productivity for growth; (ii) Services for citizens across the territory, and (iii) Natural resource and climate risk management. The CPF reflects the WBG’s commitment to provide Peru with integrated solutions, combining both global knowledge and smart financing -- all designed against the backdrop of the country’s need to strengthen its institutions and increase the efficiency in the use of public resources. This PLR proposes to keep the original CPF time frame.

2. **The CPF remains well-aligned to the Government of Peru’s (the Government, the GoP) vision, despite some unexpected changes in the country’s political administration.** President Martin Vizcarra, the constitutional Vice-President, assumed the Presidency of Peru on March 23, 2018, following the resignation of former President Pedro Pablo Kuczynski in view of a possible second impeachment process by Congress. The administration of President Vizcarra has provided a stronger focus on political and institutional reforms, including those to the Judiciary and to local government capacity. The Government’s strategy, outlined in the *Política General de Gobierno 2021*¹, remains focused on the need to accelerate investments and physical and human capital formation -- that include access to water and sanitation and health services and the promotion of public and private investments -- with a stronger emphasis on judicial and political reforms. All of these are priority areas identified by the Peru Systematic Country Diagnostic (SCD) (Report No. 112694-PE), and reflected in the CPF. Despite these political changes, the CPF’s objectives remain highly relevant to the country.

3. **Progress towards the achievement of the CPF objectives is on track, but some adjustments are needed to maintain an effective collaboration between Peru and the WBG.** The main changes include adjustments to three objectives and the merging of two objectives. First, Objective 2 “Ease barriers to formalization,” will be merged with original Objective 4 “Enhance the environment for sustainable private sector investments” under the same title. These objectives are being merged to reflect the evolution of private sector dynamics and a renewed emphasis on increasing productivity and competitiveness. Then, Objective 3 “Facilitate absorption of skills and technology especially by small- and medium-sized business” has been adjusted slightly and its title changed to “Facilitate absorption of skills and technology” to reflect a deeper focus on education and human capital during the remainder of the CPF period. Also, Objective 7 “Expedite the processing of family and commercial cases by the justice system,” will be adjusted to reflect both a broader scope in governance and a focus on decentralization of services, and its title will be changed to “Improve governance with selected institutional reforms at the national and subnational levels”. A new Objective 8, “Improve disaster risk planning and financial management,” will be added under Pillar III to respond to the Government’s efforts in the area of disaster risk management and prevention after the *El Niño* phenomenon that occurred during early implementation of the CPF (2017). This new objective will reflect the WBG assistance to address the SCD priority of addressing high exposure to climatic risks and natural hazards. This assistance

¹ Supreme Decree No. 056-2018-PCM, published on May 24, 2018.

will be provided through a combination of different instruments including a new CAT DDO, an investment project to implement cadasters in main cities and Catastrophe (CAT) Bonds. The remaining five objectives remain valid, but some CPF indicators have been adjusted to reflect delays in implementation and new Government priorities for the CPF's outer years.

4. **Looking forward, the CPF program is likely to engage increasingly in knowledge products and selected investments in human capital, including education, health and gender --in line with Peru's active membership in the Human Capital Project and the SCD's findings -- and additional investments to address the infrastructure gaps.** Despite significant progress in addressing chronic malnutrition and maternal health issues, and closing gender gaps in school enrollment rates, Peru still faces important challenges in the quality of education, efficiency and quality of health service delivery, child anemia, an increased incidence of non-communicable diseases, and gender disparities in economic opportunities and wages. As several projects focused on human development have closed recently, the WBG is assisting the GoP in exploring further reforms for increasing human capital development through both policy and financing, and knowledge activities (like a human development flagship). The WBG will work with the Government in identifying important reforms to support its priorities, and in designing potential new projects focusing on the quality of education, reducing child anemia and the targeting of social programs.

II. MAIN CHANGES IN THE COUNTRY CONTEXT

5. **During the first phase of the CPF's implementation (from July 2016 through 2018), Peru faced political and institutional turmoil.** The change in administration in early 2018, brought a stronger emphasis to political and institutional reforms, including new reforms for the Judiciary and strengthening of local government capacity. Political reforms announced by the administration involved constitutional changes that led to a referendum on December 9, 2018 which received overwhelming popular support. These reforms are related to the institutional responsibilities and processes for selecting judges for the Judiciary, the financing of political parties, and term limits for reelection of members of Congress. The proposed change from a unicameral to a bicameral system in Congress was repealed by the referendum. Presidential elections are scheduled for early 2021, and a new administration will take office on July 28, 2021. Therefore, the CPF period that extends through June 2021 is aligned to the presidential term.

6. **Like other Andean countries, Peru has seen a large influx of migrants².** Following Colombia, Peru is the country hosting the second largest number of Venezuelan migrants. As of March 2019, there were around 708,000 Venezuelans living in Peru, a population that increased seven- fold since 2017. An estimated 70 percent of this population is processing a temporary permit of stay. With 167,238 requests, Peru is also the country with the highest number of Venezuelans seeking asylum. The geographic concentration of these migrants in the capital city, Lima, and their vulnerable conditions are likely to generate non-negligible fiscal costs in the short term. The WBG, as per the GoP's request, is providing technical assistance to assess the developmental impact of

² Joint United Nations Refugee Agency and International Organization for Migration Press Release, "Number of refugees and migrants from Venezuela reaches 3 million" Geneva, 8 November 2018. National statistics from *Superintendencia de Migraciones del Perú*.

this migration, as well as to support the design of a strategic response framework that can help the host communities cope with migration shock, reduce the potential costs of providing services to the migrant population and take advantage of potential positive productivity gains through their orderly inclusion in the labor force.

Box 1: Peru's Anticorruption Efforts and WB's Support 2017-2018

As widely disseminated in the national and international media, Peru had two significant corruption cases over the past few years. First, various high-level officials have been implicated in infrastructure corruption scandals fueled by the “Lava Jato” investigation, which affected Peru as well as other Latin American countries. Equally important was the revelation in July 2018 of systemic traffic of influence and corrupt practices in the judicial system including the soliciting of bribes to obtain positions and alter sentencing decisions. These two cases, added to a widespread perception of corruption in public service delivery, which the administration of President Martin Vizcarra decided to attack frontally shortly after it was inaugurated. Fighting against corruption is now the Government's flagship program and comprises efforts in several directions to prevent, identify, prosecute and sanction corruption, including:

- **Public investments** – The *Lava Jato* revelations related primarily to public-private partnership (PPP), where the authorities have taken the following structural measures (in addition to specific actions, such as the termination of contracts from the previous administration): (i) transposition into local legislation of key OECD principles and standards in the areas of integrity and antibribery, and (ii) improvements in the structuring of procedures and harmonization of processes (implementation of an integrity and transparency role and office at *Proinversion*, the GoP's PPP structuring agency, etc.).

- **Justice system** – The immediate response included the dismissal of the entire Magistrates Council ^{1/} (which required action by Congress). Recommendations of the Consultative Commission for the Reform of the Justice System are now also under implementation, including among others: (i) the creation (after a national referendum) of a new body responsible for the appointment, performance management, and sanctioning of judges; (ii) the creation of a very high-level body to oversee reforms, and (iii) accelerating the modernization of justice services, in particular the excessive length of time taken to resolve cases and increasing access to the urban poor (especially women).

- **Fiduciary and control systems** – The legal framework for public financial management and procurement was revamped by Legislative Decrees in November 2018, in both cases aiming to enhance transparency, increase efficiency and promote coordination of systems for planning, budgeting, treasury, debt management, public accounting, Human Resources Management, and the newly created system for logistics and supply (handling of goods post-purchase). In terms of control, the General Comptroller Office is undergoing a throughout modernization effort supported by both the executive and legislative powers.

The WBG is providing selective support to GoP's anticorruption efforts in three specific areas as follows: (i) technical assistance to the modernization of the PPP framework (WB), its implementation (IFC) and the associated system for external control (WB); and (ii) technical assistance for regulatory reforms related to procurement and financial management, including on ways to enhance citizens' oversight by publishing in a systematic manner the rich bidding information captured by the Government's electronic platform (which the WB used to analyze the efficiency of purchases under a FY18 PER) and, most importantly. The WB would also be supporting efforts to enhance efficiency, access, transparency and accountability to justice service for civil cases through new proposed Efficient and Equitable Justice Services (P162833) that focuses on scaling up electronic case management system nationwide, building a new Magistrate Council, now called *Junta Nacional de la Justicia* ^{2/} and increasing access to justice in poor urban areas. Additionally, the WB has partnered with the OECD in supporting the Government's transposition into domestic legislation of key OECD standards and principles in areas, such as integrity (including conflict of interest declarations), anti-bribery, base-erosion and profit shifting, and tax evasion.

^{1/} Legislative Resolution from Congress No. 016-2017-2018-CR, July 21st, 2018.

^{2/} Law No. 30916, February 18th, 2019.

Recent Economic Developments

7. **Despite somewhat slower economic activity in the past few years, Peru has been one of the fastest growing economies in the Latin America and Caribbean (LAC) region over the last two decades.** Between 2002-2018, real GDP grew at an average rate of 5.3 percent, far exceeding the 2.7 percent growth rate for the region, doubling its per capita income during that period. Responsible fiscal and monetary management conducive to macroeconomic stability, coupled with open financial and capital markets and a sustained policy of trade liberalization, amid a favorable external environment for commodity exporters were the key factors behind Peru's success. The prolonged period of high growth was equitable. The poverty rate fell from almost 60 percent in 2004 to 20.7 percent in 2016, and inequality fell substantially (from a Gini 0.50 to 0.44 in that period).

8. **Following a period of slower growth triggered by lower commodity prices and domestic headwinds, economic activity rebounded to 4 percent in 2018.** Between 2014 and 2017 Peru's GDP growth slowed to around 3 percent per year, which was less than half of the average growth in the previous ten years. This slowdown was related to the end of the commodity super cycle, that prompted steep declines in investment, predominantly in the mining sector. Catastrophic floods in the north of the country further affected economic performance. The economy started to gradually recover in 2018, supported by the renewed impulse of domestic demand. GDP growth accelerated to 4 percent, amid higher commodity prices in the first half of the year, particularly for copper, as well as increased business confidence, which led to a renewed interest in investment projects, especially in mining and related sectors. Credit to the private sector and job creation also accelerated, supporting the expansion of private consumption. Public spending recovered, mainly due to a faster implementation of large projects, including those related to the forthcoming Pan-American Games in Lima.

9. **On the fiscal front, the Government has initiated a period of fiscal consolidation.** The overall fiscal deficit narrowed to 2.5 percent of GDP in 2018, after reaching a 3.1 percent peak in the previous year, due to the countercyclical response. Tax revenues increased in a context of more dynamic economic activity and a recovery in corporate profits, mainly in mining. Public debt levels remain stable: as of December 2018, gross (net) debt levels were at 25.7 (11.4) percent of GDP, which are among the lowest in the LAC region. Although the debt of the general government is low, the debt of some local governments has been increasing in the last five years, in some cases exceeding 500 percent of their income. The Government is looking for alternatives to restructure these debts. Going forward, the fiscal deficit is expected to converge to 1 percent of GDP by 2021, in line with the prevailing fiscal rule (Law 30637 and Legislative Decree 1276).

10. **External imbalances sharply narrowed reflecting the slowdown in domestic demand and the acceleration of export growth.** The current account deficit narrowed from 4.6 percent of GDP in 2013 to 1.2 percent of GDP in 2017 despite negative terms of trade. Initially, the deceleration of domestic demand, especially investment, reduced the growth of imports, while export volumes increased due to the launch of some big copper mines. The current account deficit increased slightly in 2018, due to higher imports of services. The external gap was fully financed by inflows of long-term capital. As of December 2018, international reserves accounted for 27 percent of GDP.

11. **Macroeconomic risks are deemed to be low and come predominantly from the external environment.** Over the medium term, GDP growth is expected to fluctuate at around 4 percent. Growth prospects could potentially be affected by lower commodity prices or a sudden capital outflow. On one hand, lower prices of copper, Peru's main export product, could trigger a fallout in investment; on the other, rapidly increasing foreign interest rates or higher risk perceptions towards emerging markets could provoke portfolio shifts in favor of external assets and depreciating pressures over the local currency. These events could be linked to a tightening of protectionist trade measures, a growth slowdown in China, an accelerated tightening cycle in the United States, or a possible contagion effects from other emerging economies. Peru has fiscal and monetary buffers to attenuate the effect of these events: the public debt level is low and mostly denominated in local currency, the Government owns liquid savings equivalent to 3.6 percent of GDP; and, the level of international reserves is healthy.

Progress on Poverty and Shared Prosperity

12. **After a long and positive trend in poverty reduction, for the first time this century Peru's national poverty rate increased in 2017.** The national poverty rate increased from 20.7 percent in 2016 to 21.7 percent in 2017, while the extreme poverty rate stagnated. This reversal took place in the context of the previously mentioned deceleration of growth in overall and private consumption in 2017. Using the World Bank's middle-income country poverty line of US\$5.5/day (Purchase Power Parity), trends show a stagnation in poverty rates in the last two years³.

13. **The increase in poverty was greater in urban (1.2 percentage points) than in rural areas (0.6 percentage points).** The share of poor living in urban areas increased from 51.5 percent in 2016 to 54.1 percent in 2017. In terms of geographic regions, the increase was higher in the Coastal region (1.6 percentage points), and particularly in its urban areas. Across the country, the increase was the highest in metropolitan Lima where total poverty rose by 2.3 percentage points and extreme poverty by 0.5 percentage points.

14. **Modest economic growth, a stagnation in the labor market, and a halt in the expansion of social spending led to the increase in poverty.** Weakened labor markets underpinned the poverty increase. Around 73 percent of household income comes from labor and a large share of the changes in poverty rates in the past have been driven by changes in labor income. With sluggish domestic demand in 2017, labor income declined by 2 percent compared to the previous year. In Metropolitan Lima, the labor market's impact was the hardest. A reduction in income from public transfers added to the pressure coming from labor markets. Total household per capita income declined by 2.8 percent, affecting mostly those around the poverty line (the decline, for example, was 5.5 percent for those in the second decile). The overall decline in monthly income from primary employment was 4.6 percent between 2016 and 2017, contributing to a sharp decline in household expenditures, for those at the bottom, especially for food items.

³The World Bank monitors two main poverty indicators in each country, with different objectives and different poverty lines: the national poverty rate, adapted to the country context, and the poverty rate using international lines, for global monitoring and benchmarking (included in Annex 6).

15. **As the economy recovers, the poverty rate is expected to fall again between 2018 and 2020 (US\$5.5/day 2011 Purchase Power Parity) by about 1.5 percentage points.** This declining trend hinges on a strengthening of labor markets, and on mitigating the impact of climatic shocks on households through adaptive social protection programs and systems that can protect the poor and vulnerable.

III. SUMMARY OF PROGRAM IMPLEMENTATION

Portfolio Overview

16. **The WB portfolio includes 12 investment projects totaling US\$996 million and three contingent lines of credit for US\$2.6 billion, including two Development Policy Financing operations with a Deferred Drawdown Options (DPF-DDOs) and one Catastrophe Deferred Drawdown Option (CAT-DDO).** The DDOs represent an important fiscal buffer in the event of adverse economic shocks. During the current CPF period, five new Investment Project Financings (IPFs) were approved totaling US\$235 million -- two in innovation, one in environmental management and two in the water sector. The IPF commitments increased slightly during this period - 13 percent between FY17-FY19 -, despite the exit of four projects from the portfolio during FY17-FY18. As the program became gradually more selective, the number of projects in the portfolio decreased from 14 in FY17 to 12 in FY19, while the amount of the average investment project increased from US\$55 million to US\$83 million.

17. **The WBG continued bringing global knowledge to help address the most challenging issues Peru faces.** This combination of timely and relevant analytical work that both, contributes to the national agenda and underpins WB-financed operations, provides a strong example of the role that the WBG can play in an upper middle-income country like Peru. A robust program of Reimbursable Advisory Services (RAS) has been a central instrument in providing customized knowledge and advisory services. The Government has signed around 40 RAS agreements for a total of US\$4 million, since 2013, eight of which were signed in the current CPF period⁴. Through this engagement the WB has contributed to the design of policy reforms and sector strategies, as well as to efforts to build clients' capacity in urban property rights, urban development, health care and digital inclusion. Besides the RAS and Advisory Services and Analytics (ASA), the knowledge program in FY17-FY18 included also other key tasks such as a Public Expenditure Review, and support in areas such as agriculture, disaster risk management and financing, fiscal decentralization and nutrition (Table 1).

18. **The International Finance Corporation (IFC) has an outstanding portfolio of US\$228.6 million that provides finance to 13 institutions in Peru.** IFC's portfolio includes investments in financial institutions (US\$140.9 million), infrastructure (US\$52.2 million), education (US\$22.2 million), oil, gas & mining (US\$6.3 million), logistics (US\$5.00 million) and telecommunications (US\$2.0 million). IFC's additional mobilized resources ascend to US\$141.2 million. The IFC portfolio has been declining in the last five years (from 21 institutions and

⁴ Legal framework in Peru limits RAS to US\$150,000 per contract, as of Law 28563 from December 2012 and Legislative Decree 1467, September 2018.

US\$773.4 million in FY14) mainly due to prepayments and exits that were motivated by strong local market conditions. During the last five years, there has been abundant liquidity in the local banking and pension systems, gradually displacing IFC's resources and reducing the demand for its services.

19. **The Multilateral Investment Guarantee Agency (MIGA) has a gross exposure in Peru that has grown during the CPF period.** MIGA's current active program (US\$253 million) is supporting infrastructure (Lima's international airport) and the financial sector (Santander Central Bank Mandatory Reserves Coverage)—the latter project of US\$247 million having been added during the current CPF period. Looking ahead, MIGA will seek to expand its support to the country's private sector development efforts in alignment with the objectives of the CPF.

Table 1: Knowledge program in FY17-FY19

Completed FY17-18	Key topics for FY19
<ul style="list-style-type: none"> • Agriculture • Disaster Risk Management • Disaster risk financing and insurance • Environment – OECD standards • Financial literacy • Fiscal decentralization policy notes • Gender assessment • Nutrition • Logistics • Public Expenditure Review • School infrastructure resilience • Water modernization 	<ul style="list-style-type: none"> • Gender Based Violence • Human Development Flagship: Evaluating Education Incentives and Reform; the Health Agenda; and, More Effective and Efficient Social Inclusion Services. • Peru: Support to Decentralization Agenda and Capacity Building for Local Governments • Supporting Peru's Anti-Corruption Strategy • Responding to the Venezuelan Migration Crisis • DRM and institutional strengthening • Internet access for the poor

20. **The high turnover of staff in key public institutions and sectors, a bureaucratic paralysis from the effect of the corruption cases (Box 1) and the entry of several new projects in the WB portfolio that were in initial stages of implementation significantly affected WB implementation performance and disbursements during FY17-FY18.** While many countries of the LAC region have witnessed large corruption cases, Peru experienced changes at the highest level of government. These resulted in high turnover at the ministerial level, and among senior staff in public agencies, delaying – and in some cases disrupting – the implementation of ongoing projects. Also, the corruption scandals led to the introduction of more bureaucratic review and clearance processes in the decision making of daily project implementation by public officials. These factors not only affected WB financed projects, but most public investment projects in Peru. The average WB portfolio disbursement ratio for Peru during FY17-FY18 was only 10.9 percent, well below the LAC average of 19.7 percent, and 80 percent lower than the average ratio in the previous CPF (19.6 percent for FY12-FY16). The current portfolio has four problem projects, which represent 33 percent of the number of operations in the portfolio, and account for around 30 percent of the total investment commitment. The Lima Metro Line 2 Project (P145610) co-financed by the Inter-American Development Bank (IDB), the Latin American Development Bank (CAF) and Kreditanstalt für Wiederaufbau (KfW), is one of the problem projects and is the largest in the portfolio (US\$300 million). This project has only 27 percent physical progress and was only 23

percent disbursed as of December 2018, against the initially planned 76 percent at this stage of implementation.

21. **Portfolio management efforts have focused on helping project executing agencies improve implementation and accelerate disbursements while improving proactivity of the active portfolio.** Since early 2018, the WB teams together with staff of the Ministry of Economy and Finance (MEF) have considerably stepped-up their work support to staff of Project Implementation Units (PIUs) -- especially those with poor performance -- to: (i) intensify the level of scrutiny of ongoing projects; (ii) require more detailed project implementation plans with critical due dates; (iii) identify activities and funds that can no longer be implemented within the project timeline, and effect partial loan cancellations, and (iv) step-up routine monitoring and evaluation of ongoing projects. Additionally, efforts to conduct weekly meetings with selected projects, and workshops and training events to identify systemic problems affecting the portfolio and to clarify WB procedures and fiduciary and safeguards requirements have all increased. Overall, portfolio performance indicators are expected to improve as these portfolio management measures take hold, as implementation of new projects accelerate, and as large contracts now being processed under the water and transport projects are awarded.

22. **Despite the significant delays in implementation, the original CPF program remains relevant with some adjustments in objectives and indicators, as will be detailed in Section V.** Lending volumes are closely aligned with the Government's top priorities. For the remainder of the CPF period, the indicative lending volume is up to US\$1.0 billion, mainly through investment lending. IPFs in modernization of the water and sanitation sector (US\$70 million) and health (US\$125 million) were already approved in FY19 and the IPF for the proposed Efficient and Equitable Justice Services project (US\$85 million) is expected to be approved in late FY19. Actual WB lending volumes during the remainder of the CPF period will also depend on country's demand and performance, as well as economic developments that affect the WB's financial capacity.

Summary of Progress Towards Achieving CPF Objectives

23. **Overall progress towards the achievement of the CPF objectives is on track to be achieved but at a slower pace than anticipated.** All eight original CPF objectives have achieved progress, though results have been mixed. In general Objective 1 "Improve connectivity at critical corridors of the territory" is progressing with the original investments but with significant implementation delays, requiring the revision of some targets. Objective 2, "Ease for Formalization" has been merged under Objective 4 "Enhance the environment for sustainable private sector investments" under the same title since no new activities are envisioned under the former objective and progress towards some of its indicators have been limited. Objective 3, "Facilitate absorption of skills and technology especially by small- and medium-sized business," Objective 5 "Improve water and sanitation services in key urban areas" and Objective 8, "Strengthen the management of natural resources" have progressed as expected in the CPF. Objective 6, "Modernize delivery of health and nutrition services for the poor" and Objective 7 "Expedite the processing of family and commercial cases by the justice system" are delayed mainly because the preparation of the investments in support of both objectives took longer than anticipated.

24. Details on the progress by objective and indicator, under each of the CPF's three pillars are described below.

Pillar 1: Productivity for Growth

25. **Objective 1: *Improve connectivity at critical corridors of the territory.*** Progress towards this objective is mixed and faces increased risks going forward. IFC investments in the Port of Callao have progressed as expected and progress towards *increasing the capacity of the Port of Callao*, the CPF indicator, has already been achieved (Indicator 1). Two IPFs to *improve travel times for public transport users, reduce truck transit time from production to distribution centers and increase the share of the rural population with access to an all-season road* --the Lima Metro Project (P145610) and Subnational Transport Project (P132515) -- are under implementation but at a much slower pace than expected so targets will be adjusted to reflect expected progress through FY21, the end of the CPF period (Indicators 2, 4 and 5, respectively). Progress to *increase, efficiency-oriented and regulated public transport capacity in Cusco* based on the construction of the *Via Expresa* corridor (P132505) (Indicator 3) as the main contract will still go for bidding in FY19. The digital agenda, part of the connectivity needed to support strategic reforms to *expand broadband connectivity and services to rural communities* is now supported through a series of RAS (P169564, P170566, and P170658) (Indicator 6)⁵. An originally envisaged WB financing for a digital inclusion investment project is going forward as planned, but now with 100 percent government financing.

26. **Objective 2: *Ease barriers to formalization.*** Progress towards this objective has been limited. During FY17-FY18, the WB provided just-in-time support to the Expert Commission on Social Protection that prepared a formalization strategy. IFC's TA on inspections to businesses resulted in a successful *reduction in the average number of days to comply with business regulations for security inspection for business entry* (Indicator 8), reducing the time from 40 to 36 days. In addition, the WB supported the formalization of property rights through a RAS (P164495). Its focus was to provide key recommendations on how to strengthen marginalized urban neighborhoods to maximize impact and transparency and how to turn slum upgrading into an essential component of Peru's national urban policy. Despite this progress, the Expert Commission's formalization strategy was never implemented, and the Government's strategy shifted from formalization to a competitiveness agenda. Because of this, the PLR proposes that Objective 2 be merged under Objective 4 with the respective indicators that refer to *enhancing the environment for sustainable private sector investments* (Indicators 7 and 9).

27. **Objective 3: *Facilitate absorption of skills and technology especially by small- and medium-sized business.*** Progress towards this objective is on track. Promoting productivity gains is supported through selected ongoing investments focused on helping Small and Medium Enterprises (SMEs) to absorb technology and innovation. Three IPFs focused on the innovation system support these efforts: (i) the Strengthening the Science, Technology and Innovation System Project (P156250) (Indicator 10) aims to *strengthen Peru's science, technology, and innovation*

⁵ The original CPF mentioned a proposed Digital Inclusion Project to extend the benefits of the National Fiber Optics Backbone Network. This project was dropped since these investments will be financed by the Government with its own resources and IDB financing. The WB is supporting the implementation of the reforms that will accompany these investments through a series of RAS.

system; (ii) the National Agriculture Innovation Project (P131013) supports the *development of improved agricultural technologies* (Indicator 11); and, (iii) the National Program for Innovation in Fisheries and Aquaculture Project (P155902) seeks to *promote a diverse set of extractive and productive activities involving both wild and farmed species that can generate high-value products, provide employment and stimulate growth* (Indicator 12). The CPF indicator measuring *the number of improvement plans for programs and institutions in higher level education that are satisfactorily implemented* (Indicator 13) was already achieved through the recently closed Higher Education Project (P122194).

28. **Objective 4: *Enhance the environment for sustainable private sector investments.*** Progress towards this objective has been mixed. The WBG is supporting ongoing efforts to improve the investment conditions to attract private investments in infrastructure. The *enforcement of infrastructure finance regulations that calls for favorable opinion by the MEF prior to the tendering of any infrastructure project* (Indicator 14) was achieved under the DDO project (P156858); however, the use of *guaranteed infrastructure project bonds* (Indicator 15) is still being developed and this indicator has not been yet achieved and have been dropped from the results matrix (P165334). IFC advisory services helped *leverage resources from two mining companies to improve service provision across several government agencies at the national, regional and local level in Apurimac* (Indicator 16). The *introduction of basic principles of international taxation that will strengthen simultaneously both Peru's competitiveness and its revenue base* (Indicator 17) has been achieved and the *exchange of information of taxation in line with international standards* (Indicator 18) is on track to be achieved during the CPF. The WB provided technical support to MEF in the new secured transactions regulation passed in September 2018 and advised the National Superintendence of Public Registries (SUNARP) on the technical design of the collateral registry to be developed. The WBG's efforts to attract institutional investors and capital market financing for new infrastructure projects are also on track and piloted jointly with MEF and *Proinversion* for a specific Upstream Water Supply project. Another example is the Joint Capital Markets Program (J-CAP) initiative that aims to expand access to domestic financing in six countries, including Peru. Through J-CAP, the WBG spearheaded the 2018 Pacific Alliance Capital Markets Conference, which contributed to the development and integration of capital markets in Chile, Colombia, Mexico, and Peru. In addition, during 2018 MIGA issued guarantees for up to seven years against the risk of expropriation of funds, covering the equity and quasi-equity investments in the Peruvian subsidiary of Banco Santander S.A. The cover, through its de-risking potential, is expected to facilitate Santander Peru's increased lending to infrastructure investments, with a special focus on climate mitigation and adaptation projects, in support of Peru's sustainable growth and employment goals.

Pillar 2: Services for Citizens across the Territory

29. **Objective 5: *Improve water and sanitation services in key urban areas.*** Progress towards this objective is on track. In the water sector, Sustainable Development Goal (SDG) #6 calls for "ensuring availability and sustainable management of water and sanitation for all". For urban areas in Peru achieving this goal will require not only providing access to those currently unserved, but also replacing unsustainable aquifers by surface water sources, entailing significant investments in storage, transmission, treatment and distribution. A comprehensive package of WBG knowledge, convening and advisory services has provided key, just-in-time support to the Government in the

design of the Water and Sanitation Sector Reforms program, including the new Sector Policy and Regulatory Framework. On the water security front, analytical services supported *Servicio de Agua Potable y Alcantarillado de Lima* (SEDAPAL) in structuring indicators to monitor and evaluate the implementation of programs for watershed management and payment for ecosystem services. Hence, the WBG is supporting the GoP in the water sector through a multi-year engagement program that includes three IPFs -- Optimization of Lima Water & Sewerage (P117293), Modernization of Water Supply and Sanitation (P157043), and Integrated Water Resource Management (151851) -- TA and convening services Support to the Water Sector Modernization Program (P150824). The Water Resources Group 2030 Program will complement these efforts. The CPF Indicator related to the *increase of access of water and sanitation of urban households* (Indicators 19 and 20) is on track, but the *number of utilities with positive financial operational results* (Indicator 21) has been adjusted to better reflect the actual indicator that the Integrated Water Resource Management project is supporting (P151851).

30. **Objective 6: Modernize delivery of health and nutrition services for the poor.** Progress towards this objective has been mixed because of delays in implementation of new investments. The WBG will support the GoP in implementing an ambitious health program that will contribute to the provision of timely, efficient and high-quality services in first level public health facilities, contributing to SDG#3. To achieve this, the Government plans to reorganize service delivery into Integrated Health Networks (P163255) that would include first level health facilities with higher resolute capacity, improved clinical guidelines and clear patient pathways, stronger communication and information systems, an articulated network of medical support services and an optimized logistics system for pharmaceutical products and medical supplies. The Indicator related to *redesign of SIS financing structure for primary care and secondary treatment* has been adjusted to reflect development objectives of the Integrated Health Networks project (Indicator 22). Supported by the highly successful, recently closed Results Nutrition for Juntos Project (P117310), the *percentage of children under 36 months that have received complete growth and development protocols (CRED) scheme according to their age* increased from 55 in 2015 to 80 percent in 2017, already surpassing the estimate of 70 percent for 2021 (Indicator 23). The WBG also contributed to this objective through two RAS (P163236 and P165519) to support the Social Health Insurance (ESSALUD) in the design of new processes for the separation of the insurance and health care service provision functions.

31. **Objective 7: Expedite the processing of family and commercial cases by the justice system (Now Improve governance in selected institutional reforms at the national and subnational level).** Progress towards this objective is significantly delayed. This objective will be supported by the Efficient and Equitable Justice Services (P162833) currently under preparation and expected to be delivered in FY19. Hence, the achievement of the CPF Indicator, *reduced average time for case processing commercial cases by using an online justice platform* (Indicator 24), was adjusted to reflect the change in the indicator during project preparation and is expected to make progress during the remaining CPF implementation period. The delays are mainly the result of the on-going reforms in the whole judiciary system (Box 1). With this proposed project, the WB will support the implementation of some of these reforms, including, *inter alia*, the implementation of a new digital platform for case management in the Judiciary and the Constitutional Tribunal, the expansion of legal services centers for poor population (*Asesoría Legal Gratuita – ALEGRA*), which have a strong gender service provision and protection focus.

Pillar 3: Natural Resource and Climate Change Risk Management

32. **Objective 8: Strengthen the management of natural resources.** Progress towards this objective is on track. Progress towards the CPF Indicator, *hectares of native community lands titled in high threat areas* (Indicator 25), has progressed from -zero to 15,000 ha between FY17-FY18 through the Dedicated Grant Mechanism Saweto (P148499). To address this objective, the WBG is also supporting priority areas in climate change adaptation under the Integrated Water Resources Project. Progress towards the CPF Indicator, *the number of water basin councils with approved integrated water resource management plans that are under implementation* (Indicator 26) is underway and expected to be achieved during the Integrated Water Resources Management implementation project (P151851). Similarly, *the strengthening coordinating bodies at the national and macro regional level for the prioritization, planning, preparation of rules, plans, procedures and instruments for the governance of the National System of Fishing and Aquaculture* (Indicator 27) is also in progress through the National Program for Fisheries and Aquaculture (P155902). This objective was also partially supported through addressing the Cuzco area's waste management problems by *creating industrial and municipal waste disposal capacity in Cuzco to prevent air and water pollution* (Indicator 28) through the Urubamba landfill construction finalized during 2018 through the Cusco Regional Development Project (P117318). Another indicator promoting better climate practices is the *improved collection and availability of reliable environmental information* (Indicator 29) that will lead to improved transparency and demand for improved environmental governance both of which are on track with support of the Enhancement of Environmental Quality Services Project (P147342).

33. **During this CPF period, the WB program also introduced new innovative instruments such as the CAT Bond Joint Pacific Alliance issuance to Peru.** The WB provided the platform to issue catastrophe bonds that collectively provide US\$1.36 billion in earthquake protection to Chile, Colombia, Mexico and Peru. This is the largest sovereign risk insurance transaction ever facilitated by the WBG, and the second largest issuance in the history of the catastrophe bond market. It was also the first time that three of the four countries accessed the capital markets to obtain insurance for natural disasters. This also marks the WB's largest catastrophe bond transaction to date, bringing the total amount of risk transactions it has facilitated to nearly US\$4 billion, thereby firmly establishing the institution as a leader in helping its member countries access risk insurance through the capital markets. The issuance consists of five classes of WB bonds: one each for Chile, Colombia and Peru, and two classes for Mexico.

IV. EMERGING LESSONS

34. **Portfolio management and disbursement.** The main lessons on implementation issues include: (i) projects typically face the lack of sufficient national budget allocation, especially at the outset of implementation; (ii) project implementing units face continued staff turnover; (iii) signature of work contracts are being frequently delayed due to fear of corruption investigations by senior sector and subnational officials; (iv) changes in government priorities affect project implementation and achievement of the respective project development objectives; and (v) projects have weak monitoring and evaluation mechanisms. Considering these challenges, the WBG will continue to step-up its implementation support efforts along the following guidelines: (i) continued

close partnership with the MEF on the oversight and evaluation of portfolio implementation; (ii) increased operational oversight and effective enforcement of agreed implementation plans and, when applicable, enforcement of corrective measures; (iii) strong implementation support, particularly from fiduciary and safeguards staff to provide training and day-to-day guidance to local counterparts; (iv) a simpler scope of activities for projects at subnational level, and (v) increased flexibility by the WBG in responding to changes in project implementation by processing quick restructurings, partial cancellations and proposals for additional finance when needed.

35. **Engaging with subnational levels.** Lessons learned from subnational projects indicate that: (i) subnational governments are not yet well prepared to use multilateral financing instruments and procedures effectively, often because they lack information on how to handle the budgetary and fiduciary processes at different government levels, including the national and regional levels and with national and external resources; (ii) because of the existing significant institutional weaknesses, it is of paramount importance to have a strong commitment and effective oversight participation from the governors and mayors in the projects under implementation; (iii) frequent changes of managing staff affect project implementation considerably; (iv) there is a lack of experienced professionals at the local levels to carry out technical and specialized work, which needs to be complemented with professionals from other parts of the country and, if necessary, from abroad, but this is still not readily accepted at the subnational level; (v) lending at the subnational level should comprise small and simple projects at first, only increasing the size and complexity of the projects once experience is acquired and institutionally consolidated; and (vi) there is a need to conduct a more stringent upfront institutional capacity assessment that includes an integral approach (management, technical, fiduciary, safeguards and sustainability) to reduce the risks associated with project implementation and assign proper prior review procurement thresholds.

36. **Maximizing Finance for Development (MFD).** The WBG has followed the comprehensive and sequenced approach it outlined in the CPF to support Peru's effort to increase the mobilization of private financing for infrastructure based on a two-pronged strategy. First, the WBG has provided continuous support to improve the policy, regulatory and institutional framework to the country's public-private partnership (PPP) framework and the functioning of its capital markets. The Boosting Human Capital and Productivity DPL-DDO (P156858) supported a significant modernization of the PPP Law and main regulation, including an improved project cycle and risk-allocation framework. Through the DDO's supervision and a Swiss funded Technical Assistance, the WBG has supported further regulatory improvements, the modernization of the country's structuring agency (*Proinversión*), and improvements in capital market conditions to attract long-term local currency financing to infrastructure projects. Second, the WBG is supporting the GoP, as follows: (i) the IFC's advisory support to structure the first demonstration project to be structured following the new PPP framework: a US\$750 million capex PPP project in support of a potential Upstream Water Supply Project for the city of Lima, and (ii) the WB's assistance in mobilizing long-term institutional investors and provide credibility to the PPP payment based on availability of services through market-based partial credit risk guarantee. This has included wide collaboration across several WB practices, as well as a strong involvement of the IFC's PPP advisory services that have helped identify solutions that will contribute to increasing water security for Lima and facilitate the creation of a sustainable model for mobilizing long-term private sector financing through a proposed Mobilizing Private Long-Term Financing project (P165334). This constitutes an innovative example of MFD using guarantees for mobilizing long-term institutional

savings for infrastructure in a sustainable way, applicable to other sectors beyond water, as well as implementation of a new PPP framework that is fiscally more sustainable.

37. **Agile approach.** The WB has shifted to digital communications on most mission announcements, going paperless without unnecessary administrative burden. This approach is aligned with the GoP's efforts to fully modernize public institutions with a view to simplifying administrative processing, the re-engineering of processes and the use of digital service platforms. In addition, during this CPF period, Peru benefitted from one of the first Agile projects in LCR -- Integrated Health Networks (P163255) -- which proved that it is possible to focus more on the project's technical aspects and risk assessments while streamlining its processing. Two other projects are expected to be prepared through an Agile approach within the CPF period. Additionally, since the vast majority of the implementation and disbursement delays are incurred due to national systems and processes, the WB team will work with the Government and especially its project implementing agencies to identify areas and issues that could benefit from adopting Agile approaches.

38. **Gender.** Gender targeting needs to be continuously reinforced throughout project implementation. During early implementation of the current CPF, the WBG conducted country gender assessments which were validated by local stakeholders and included a comprehensive gender portfolio review (Annex 7). Some of the findings show that nearly half of the active portfolio (8 of 17 projects, or 47 percent) included gender in all three dimensions. This is below regional (67 percent) and WBG (71 percent) averages for gender-integration in projects in FY17. One of the key barriers most highlighted by WBG teams is the lack of client buy-in to include gender aspects in projects, specifically, the development of related skills and knowledge among counterparts (including in the PIUs) as a necessary first step for implementation. This situation is exacerbated in some sectors that are traditionally male-dominated, such as infrastructure and forestry. If the benefits to increase project outcomes are not readily evident to counterparts, or if the clients perceive that the suggested steps are outside the primary objectives of a project, resistance to gender inclusion may be substantial. Hence, efforts need to focus on strengthening the integration of a gender perspective in the WBG's engagement to contribute to advancing gender equality and achieve project development objectives more effectively.

39. **DPF/DDO operations in Peru.** Over the past decade (FY11-FY19) Peru has requested six DPL-DDOs for a total US\$3.7 billion and two CAT-DDO for US\$500 million. Of these, four DDOs (US\$1.36 billion) were fully disbursed and closed, and two FY16 DDOs (US\$2.5 billion) have been recently extended for a three-year period through 2021 after a partial disbursement of US\$400 million. Peru has effectively used DPL-DDOs, both to support reforms, including mobilizing the technical assistance embedded in the preparation and supervision of each operation, and to build up financial buffers that the country generally uses for debt service or the financing of economic or disaster-related emergencies. The Government also values the hedging feature of the DDO, particularly in times of volatility in international capital markets. From the reform perspective, DDOs have supported policy changes with long-term impact in areas such as education, productivity, fiscal management and growth. These have all been well anchored in the country's widely backed medium-term reform programs that go well beyond a single administration period -- the reforms supported by the two FY16 DDOs approved in FY16 placed the WBG as a key interlocutor for the new administrations that took over office in mid-2016 and, unexpectedly,

also in early 2018. In all cases, the various government’s administrations have shown strong and continued commitment to policy reforms. From a financing perspective, DDOs are part of the Government’s medium-term macroeconomic and fiscal plan and adds to its overall fiscal buffer (currently at US\$8 billion, before DDOs).

V. ADJUSTMENTS TO THE COUNTRY PARTNERSHIP FRAMEWORK AND FUTURE ENGAGEMENT

40. **The remainder of the CPF period (FY20-FY21) offers the opportunity to consolidate and build upon the initial results.** The revised results framework is structured under the original pillars, but three out of eight objectives have been modified to reflect changes in the Government’s priorities⁶:

- Objective 2 (Ease barriers to formalization) is merged under the current Objective 3 “Enhance the environment for sustainable private investments” including the original indicators and keeping the same title.
- Objective 3: (Facilitate absorption of skills and technology especially by small- and medium-sized business) is slightly reworded to emphasize the focus on education for skills and technology “Facilitate absorption of skills and technology”.
- Objective 7 (Expedite the processing of family and commercial cases by the justice system) is now framed in a broader manner to reflect a new scope in institutional strengthening and has been reworded as “Improve governance with selected institutional reforms at the national and subnational levels”.
- To respond to the Government’s efforts in disaster risk management and prevention after the *El Niño* phenomenon that occurred during the early implementation of the CPF (FY17), a new Objective 8 has been added under Pillar III “Improve disaster risk planning and financial management”. This objective is also well aligned with SCD identified priorities highlighting the importance of addressing the country’s high exposure to climatic risks and natural hazards, and
- The remaining five objectives remain valid, but the targets for some indicators have been adjusted to reflect delays in implementation. The lending pipeline and the planned ASA program are closely aligned with the Government’s priorities in selected areas (Table 2 presents the revised CPF results matrix).

41. **Each of the CPF’s three pillars will continue incorporating gender and indigenous disparities when applicable.** While some specific IPF projects such as the Integrated Forest Investment Project will address directly indigenous populations, the challenge for the remainder of the CPF period is to develop opportunities for gender specific support. The recent increased governmental attention on gender issues, including a significant increase in the 2019 budgetary allocation to the Ministry of Women, provides a good opportunity to step-up the WBG's gender development efforts in Peru going forward. Given the significant gender gaps identified in the Gender Assessment completed under this CPF cycle (P168060) and a study underway focused on gender-based violence (P168055), the Bank will also strengthen its efforts in promoting gender

⁶ The objective numbers have been adjusted to reflect the one merged. The old objective 7 is now objective 6 per Table 2.

equality throughout its operational portfolio and in generating and sharing knowledge on how to best narrow gender gaps with the client. In particular, the WBG will support some key reforms through a proposed Human Capital DPF to prevent violence against women at the subnational level. Additionally, the WBG will seek to be opportunistic in mainstreaming gender policies and investments whenever possible.

Table 2: Updated CPF results matrix

I. Productivity for Growth	II. Services for Citizens across the Territory	III. Natural Resource and Climate Change Risk Management
<ol style="list-style-type: none"> 1. Improve connectivity at critical corridors of the territory. 2. Facilitate absorption of skills and technology. 3. Enhance the environment for sustainable private investments. 	<ol style="list-style-type: none"> 4. Improve water and sanitation services in key urban areas. 5. Modernize delivery of health and nutrition services for the poor. 6. Improve governance with selected institutional reforms at the national and subnational levels. 	<ol style="list-style-type: none"> 7. Strengthen the management of natural resources. 8. Improve disaster risk planning and financial management

42. **Pillar 1: Productivity for Growth.** The WBG will consolidate its investments to help close the nationwide connectivity gap that the SCD identified as a critical bottleneck. Current investments from both the WB and IFC in transport, including the port and airport at Callao, the latter supported also by MIGA, will help Peru progress towards closing this gap. The WB will continue supporting the connectivity agenda with knowledge activities and mainly IPFs on the financing side (Lima Metro Project, Subnational Transport Project, IFC investments on Callao port, RAS in digital inclusion). Some additional activities are foreseen in the transport sector linked to the country’s urban mobility agenda that may include potential new lending since large projects in the sector are expected to be developed in the short term that will demand both technical assistance and financing.

43. **Support to ease barriers to formalization will be linked to IFC’s engagement in providing financial services to micro and SMEs.** Yet, as a result of shifting Government priorities, former Objective 2 (Ease barriers to formalization) has been merged and some relevant indicators linked to the IFC’s efforts to provide financial services to micro and SMEs have been reassigned under current Objective 3 (former Objective 4), thereby ensuring that access to financial services becomes an incentive and potential stepping-stone towards formality.

44. **WBG efforts will be intensified to develop new capital market instruments to help finance large infrastructure projects as an important driver of growth and employment.** The focus will be mainly on mobilizing long-term institutional investors in local currency for infrastructure and non-extractive sectors, where IFC will continue to engage with potential investors in agribusiness, tourism, education and health. The financial sector policy, regulatory and instrument design work will be leveraged by a potential WB partial guarantee and IFC’s on-going

private sector support on the development of a strong PPP framework. Additionally, the Public Expenditure DPF-DDO -- extended from February 2019 to February 2022 --, and TA provided by the Swiss Cooperation will be used to reinforce these activities.

45. **IFC's work is focusing on expanding the country's access to financial markets to smaller companies and key industries.** Peru's private sector is facing a competitive local banking system and high interest from international finance providers. This context has generated very attractive financing conditions for local corporations: (i) interest rates have decreased both for US\$ and local currency funding, and (ii) maturities have been extended. IFC is engaging financial institutions and capital markets intermediaries to expand access to finance for micro and SMEs and low income households. IFC is approaching local funds that target micro SMEs through asset based lending and financial institutions with interest in low income housing finance. In addition, to boost geographic inclusion, the IFC continues its efforts to identify and support agribusiness companies and infrastructure players through long-term financing solutions.

46. **Pillar 2: Services for Citizens across the Territory. The strong focus on improving access to and quality of basic services across the territory will continue, with an emphasis on water, education, health and justice services.** New IPFs, are expected to begin implementation during the remainder of the CPF period, including those in water (Modernization of Water Supply) and health (Integrated Health Networks) already approved in FY19, and the justice project under preparation (Improving the Performance of Non-Criminal Cases – P162833). Education reforms to boost the country's human capital index will also be a priority and the CPF will accompany the Government's efforts to improve the quality of public education, particularly in early years, linked to SDG#4 Ensure inclusive and equitable quality education and promote learning opportunities for all.

47. **The WBG will support the modernization of key public sector institutions including justice services.** For the Judiciary, the proposed Efficient and Equitable Justice Services Project (P162833) will support GoP to strengthen performance management, accountability, integrity and internal control mechanisms in the justice sector, with a focus on civil cases (a parallel project by IDB will support improvements in the penal side). The project has acquired relevance given the strong push of the state (all powers) to improve the Judicial system (see Box 1).

48. **Fiscal and financial management of subnational governments also pose a substantial challenge to the State's ability to provide effective services to citizens.** There are several reasons for this, including: (i) an incomplete decentralization process that particularly affected the mid-level of government (regions); (ii) a decentralization of substantial service delivery responsibility to the lowest level of government (municipalities), while resources remain highly centralized; (iii) excessive fragmentation, with 57 percent of municipalities having less than 500 households, and (iv) the fragmentation of cities, or provincial municipalities, replicate these issues, as each municipality (45 in the case of the city of Lima) elects its own mayor. However, Peru now has a unique opportunity to strengthen the decentralization process, since the previous administration had launched important efforts to institutionalize coordination mechanisms across government levels by, among others, creating a vice ministry of territories in the Prime Minister's Office. Building on these efforts, this administration has taken important steps to reinvigorate the unfinished decentralization reforms, including by initiating a process to clarify and delimit functions between

different levels of government, and a concurrent exercise (supported by the WB) to improve own revenue sources and transfer systems. The WB has finalized a report on this issue under this CPF⁷, and is currently preparing a blue print to help improve revenues and transfers for the mid-level of government (regions) together with a plan to improve their financial management and accountability. In parallel, IFC has provided advice on revenue and expenditure management in the mining areas of Apurimac, as part of their commitment to improve social impacts of mines in Peru. The WBG plans to continue supporting the Government's reform agenda through policy advice and implementation support, including WB lending.

49. **Pillar III: Natural Resources and Climate Change Risk Management.** **The WB will consolidate its support on disaster risk financing and planning.** A new Objective 8 is included in the CPF to reflect the deepening engagement with the Government in this area through the provision of innovative products. Peru, jointly with the Pacific Alliance, has requested WB support to explore the feasibility of a second CAT Bond aimed at providing protection for hydrometeorological disasters such as floods and droughts. Activities include an analytical study to model the risk profile. The study is being partially funded by Swiss Cooperation (SECO). In addition, a proposed National Urban Cadaster Project (P162278) is expected to support the development of a fiscal cadaster and the corresponding technical assistance required to improve tax collection, urban planning and disaster risk management. The WB has also discussed with GoP an additional Catastrophe DDO (P169058) to continue improving efficiency in public resource allocations for Disaster Risk Management (DRM), mainstreaming of disaster risk management policies into subnational planning and increasing Peru's capacity for post-disaster recovery and reconstruction.

50. The results framework has been streamlined, to avoid overlaps among several indicators and an excessive number of indicators per objective, particularly for Objective 1, 3 and 4. Changes in these indicators are detailed in Annex 4.

VI. RISKS TO CPF PROGRAM

51. **Overall risks to the program, as identified in the CPF, remain Moderate, despite the proposed increase in some risk ratings.** Risks identified during this period are mainly linked to (i) the political cycle; (ii) institutional capacity; (iii) fiduciary; and (iv) environment and social.

52. **Ratings for the Political and Governance risks were increased from Moderate to Substantial.** Unarguably, political and governance factors in the last couple of years resulted in reduced attention to the implementation of needed reforms. Though the worst of the political turmoil seems to be over, as the new political election cycle nears, there is the possibility that more attention will be paid to shorter-term agendas than to pursuing significant policy and institutional reforms. In addition, capacity at the project level, including fiduciary aspects, was weakened during this period of political turmoil with the consequent drop in implementation progress and disbursement rates. The PLR proposes to mitigate these risks in two ways. First, new investments

⁷ Peru: Building a more efficient and equitable fiscal decentralization system. World Bank. March 2017. Report No. 112433-PE

are based on a three-year program agreed with MEF that address the biggest development constraints, which will remain as policy priorities regardless a change in political environment. Second, the CPF will retain flexibility with respect to instruments and level of engagement, which will permit adjustment in response to changed circumstances. In parallel, the IFC has adjusted its long-term strategy and sector priorities to reflect the current environment and challenges, based on a careful analysis of risk by sector and usage of debt and equity instruments.

53. **Ratings for the Institutional Capacity and Implementation risks, and for Environmental and Social risks have also increased to Substantial for the remaining CPF period.** This is because some projects in the pipeline are expected to face non-negligible challenges. For instance, appetite to prepare projects under the country’s new PPP framework (which the WBG has offered to support through partial credit risks guarantees) might be weaker than expected. Also, finalizing the preparation and launching of the project requested by the GOP to support the modernization of the justice sector is taking considerably longer than originally envisaged. The modernization of the water and sanitation sector will require work with relatively new entities that lack experience in implementing WB-financed operations, which in turn will require a longer learning curve and pose additional risks. Social and Environmental risks have also increased due to the implementation of large infrastructure projects in the portfolio, such as the Lima Metro Line 2 Project which has important contractually-locked safeguard issues that will need to be resolved, and the introduction of the new environmental and social framework (ESF) for new projects that will require a robust and holistic approach for project design, feasibility studies and greater institutional coordination to reduce and mitigate environmental and social risks. To mitigate these risks, the Government and the WB are working jointly to: (i) address the challenges that have prevented projects -- particularly in infrastructure -- from moving forward as originally planned, and (ii) increase the institutional capacity to work with the new WB systems and policy.

54. **Despite the increase in the risk rating of these categories (political, institutional capacity and environment and social), the overall rating of the program remains as Moderate.** At this stage, progress in several CPF indicators and the alignment of the pipeline with the priorities of the current administration envisage a successful implementation of the proposed objectives towards 2021.

Table 3: Risks ratings to the CPF Program

Risk Categories	Rating (H, S, M or L)	Revised Rating
Political and governance	Moderate	Substantial
Macroeconomic	Low	Low
Sector strategies and policies	Moderate	Moderate
Technical design of project or program	Low	Low
Institutional capacity for implementation and sustainability	Moderate	Substantial
Fiduciary	Moderate	Moderate
Environment and social	Moderate	Substantial
Stakeholders	Low	Low
Overall	Moderate	Moderate

ANNEX 1: UPDATED CPF RESULTS MATRIX

I. Productivity for Growth	
Objective 1: Improve connectivity at critical corridors of the territory.	
CPF Objective Indicators	WBG Program
<p>Increase port's capacity in the country's biggest port of el Callao (Million TEUs containers): Baseline: 0.8 (2016) – Target: 1.2 (2021)</p>	<p><u>Pipeline:</u> WB IPF: Lima Metropolitano North Extension (P170595)</p> <p><u>Ongoing:</u></p> <ul style="list-style-type: none"> - WB RAS: Strategic Reforms to expand Broadband Connectivity and Services to Rural and Remote Communities (P169564, P170566, and P170658). - WB IPF: Lima Metro Line 2 (P145610). - WB IPF: Cuzco Transport Improvement (P132505). - WB IPF: Support to the Subnational Transport (P132515). - WB ASA: Impact Evaluation of the Peru Support of the Subnational Transport Program Project (P158917). - WB TF Women's mobility in LAC cities (TF0A3350) includes Peru (Lima). - WB RAS: Strategic Reforms to expand Broadband Connectivity and Services to Rural and Remote Communities (P169564)(P170484). - IFC Investment: APMTC Port Investment. - IFC Investment: Lima JCI Airport. - IFC Investment: Telecom Investment VMP (35932). <p><u>Closed during CPF period:</u></p> <ul style="list-style-type: none"> - WB TF: Mainstreaming Inclusive Design and Universal Mobility in Lima (P129561). - WB ASA: Public Expenditure Review (P158618). <p><u>Dropped:</u></p> <ul style="list-style-type: none"> - WB IPF: Digital Inclusion (P157355).
<p>In Lima/Callao, kilometers and stations built for public transport users for the Ate-Callao origin-destination pair (Number): Baseline: 0 km and stations (2015) Target: 13 km, 18 stations built (2021)</p>	
<p>In rural roads, increase the share of rural population with access to an all-season road (Percentage): Baseline: 43 (2015) – Target: 51.50 (2021)</p>	
<p>Updated telecommunications regulation aiming at promoting competition and broadband Access in rural and remote areas (No/Yes): Baseline: 0 (2015) – Target: 1 (2019)</p>	

Objective 2: Facilitate absorption of skills and technology.

CPF Objective Indicators	WBG Program
<p>Clients (farmers) who have adopted an improved agriculture technology promoted (Number): Baseline: 0 (2014) – Target: 20,000 (2021); of which 7,000 females 4,000 Indigenous people.</p>	<p>Pipeline: - WB DPF Peru: Investing in Human Capital (P170477).</p> <p>Ongoing: - WB IPF: National Program for Innovation in Fisheries and Aquaculture (P155902). - WB IPF: Strengthening the Science, Technology and Innovation System Project (P156250). - WB IPF: National Agriculture Innovation (P131013). - WB DPF-DDO: Boosting productivity for Human Capital (P156858). - WB TA Peru HD Flagship: Evaluating Education Incentives and Reform (P167570). - IFC UPC (<i>Universidad Peruana de Ciencias Aplicadas</i>) (52665). - PEIP (<i>Proyectos Educativos Integrales del Peru</i>) education investments (754824). - Enfoca investment to <i>Instituto de Información Bancaria</i> (active) (658146).</p> <p>Closed during CPF period: - WB IPF: Sierra Rural Development (P079165) Additional Finance (AF). - WB IPF: Higher Education Quality Improvement (P122194).</p>
<p>Share of artisanal fishermen and aquaculture producers with access to at least one innovation developed (Percentage): Baseline: 0% (2017) – Target: 60% (2021)</p>	
<p>Number of improvement plans for programs and institutions in high level education that are implemented satisfactorily (Number): Baseline: 15 (2016) – Target: 257 (2018)</p>	

Objective 3: Enhance the environment for sustainable private sector investments.

CPF Objective Indicators	WBG Program
<p>Number of PPP contracts without MEF’s favorable opinion prior to the tender process at all levels of government (Number): Baseline: 17 (2014) – Target: 0 (2021)</p>	<p>Pipeline: - WB Guarantee: Program of Guarantees for infrastructure finance (P165334).</p> <p>Ongoing: - WB IPF: WB National Agriculture Innovation Project (P131013)</p>

<p>Number and value (in \$) of new loans for Micro and SMEs by IFC: Baseline: 1.6 million loans for US\$8.9billion; of which US\$969 million for women (2021) Target: 2.3 million loans for US\$11.6 billion; US\$1.1b for women (2021)</p>	<ul style="list-style-type: none"> - WB TA: Capital Markets and Infrastructure Financing (P157577) (Swiss Trust Fund). - WB ASA: Supporting Peru's Rise to OECD Standards (P158725). - WB ASA: Peru International Tax Project (P160517). - WB ASA: Peru Government Debt and Risk Management Program Phase II (P167682). - WB: DPF-DDO: Boosting Productivity for Human Capital (P156858). - WB TA: Subnational Implementation of EITI (P160633). - WB DPF-DDO: Public Expenditure and Fiscal Management (P154981). - IFC BanBif (31778). - IFC Banco Financiero (34867). - IFC Rural Finance Peru (579128). - IFC Mibanco Group Lending Diagnostic (601355). - IFC TA: CG for Municipal Credit Unions in Peru (Swiss TF) (600516). - IFC Acceso Crediticio (1003607). - IFC Mibanco Peru (29399).
<p>Average # of days to comply with business regulations for security inspection for business entry (Number of Days): Baseline: 40 (2013) – Target: 36 (2018)</p>	<ul style="list-style-type: none"> - IFC Banco Continental (25360). - IFC Confianza (32273). - IFC Tinka (798724). - IFC TA: Cuzco Tourism Advisory (581547) (Swiss Trust Fund). - IFC TA: Apurimac Revenue Management (600268). - IFC TA: Apurimac Mining Agriculture Collective Action (600639). - IFC TA: Peru Tourism (602024). - MIGA's guarantee to a commercial bank (P14247) <p><u>Closed during CPF period:</u></p> <ul style="list-style-type: none"> - WB IPF: Sierra Rural Development (Additional Finance) (P079165). - WB RAS: Programmatic RAS on Affordable Housing. - WB TA: Support to Formalization Strategy and Support Expert Commission on Social Protection Quick Response.
Pillar 2: Services for Citizens across the Territory	
Objective 4: Improve water and sanitation services in key urban areas.	
CPF Objective Indicators	WBG Program
<p>Urban households with access to water services (Percentage): Baseline: 94 (2015) – Target: 96 (2021)</p>	<p><u>Ongoing:</u></p> <ul style="list-style-type: none"> - WB IPF: Water Sector Reform Program (P157043). - WB IPF: Optimization of Lima Water & Sewerage (P117293). - WB IPF: Integrated Water Resources Management in Ten Basins (P151851).

<p>Urban households with access to sanitation services (Percentage): Baseline: 80 (2015) – Target: 84 (2021)</p>	<p>- IFC TA: Water Resource Group (WRG) 2030 intervention (600870). - IFC PPP Advisory TA: Peru Water (602550).</p> <p><u>Closed during CPF period:</u> - WB ASA: Public Expenditure Review (P158618). - WB TA: Support to the Water Sector Modernization (P150824).</p>
<p>Working ratio reduced in selected water utilities (Number): Baseline: 0 (2018) – Target: 2 (2021)</p>	
Objective 5: Modernize delivery of health and nutrition services for the poor.	
CPF Objective Indicators	WBG Program
<p>Percentage of Integrated Health Networks (RIS) that offer an expanded range of health services in Lima Metropolitan Area and prioritized regions (Percentage): Baseline: 0 (2018) – Target: 20 (2021)</p>	<p><u>Pipeline:</u> - WB DPF Peru: Investing in Human Capital (P170477).</p> <p><u>Ongoing:</u> - WB IPF: Peru Integrated Health Network Project (P163255). - WB RAS: Peru ESSALUD Separation of Functions (P163236). - WB TA: HD Flagship ASA - Health Agenda (P167460). - WB TA: Reforming Social Health Insurance to Improve Health Care Access, Quality and Efficiency (P166491). - WB RAS: Phase 2: Peru ESSALUD Separations of Functions (P165519). - WB ASA: Peru PHRD Grant - Universal Health Coverage (P164103).</p> <p><u>Closed during CPF period:</u> - WB IPF: Social Inclusion TAL (P131029). - WB SWAP: Results Nutrition for Juntos (P117310). - WB ASA: Health Sector Reform I (P161496). - WB TA: Support to Peru’s Nutrition Strategy to Reduce High Anemia and Stunting in Children under 36 Months (P162483). - WB ASA: Public Expenditure Review (P158618). - WB TA: Peru Health System Reform (P161496).</p>
<p>Nutrition - Percentage of children under 36 months that have received complete CRED scheme according to their age (ENDES) (Percentage): Baseline: 54.9 (2015) – Target: 80 (2017)</p>	
<p>Percentage of children without anemia from 6 to 11 months that have received complete micronutrients for their age (Percentage): Baseline: 32 (2018) – Target 60 (2022)</p>	

Objective 6: Improve governance through selected institutional reforms at the national and subnational levels	
CPF Objective Indicators	WBG Program
Justice sector (national): Percentage of non-criminal cases whose status can be accessed online in real time: Baseline: 0 (2018) – Target: 40 (2021)	Pipeline: - WB IPF: Efficient and Equitable Justice Service (P162833). - WB IPF: National Urban Cadaster Project (P162278). - WB DPF Peru: Investing in Human Capital (P170477).
Decentralization (subnational level): Number of project municipalities with an increased property tax base: Baseline: 0 (2019) – Target: 5 (2021)	Ongoing: - WB ASA: Supporting Peru's Anti-Corruption Strategy (P167683). - WB ASA: Peru Gender Based Violence (P168055). - WB TA: Peru Support to Decentralization Agenda and Capacity Building for Local Governments (P168236). - WB TA: Peru Subnational Capacity Building (P168723).
Decentralization (subnational level): Number of regions that include any of the key actions that are part of the new Development and Social Inclusion Policy in their Performance Allocation Agreements, including prevention and reference of cases of violence against women: Baseline: 0 (2019) – Target: 5 (2022)	Closed during CPF period: - WB IPF: PE Justice Services Improvement II Project (P110752).
III. Natural Resource and Climate Change Risk Management	
Objective 7: Strengthen the management of natural resources.	
CPF Objective Indicators	WBG Program
Hectares of native community lands titled in high threat areas (Number): Baseline: 0 (2016) – Target: 780,000 (2020)	Ongoing: -WB IPF: Integrated Forest Landscape Management Project in Atalaya, Ucayali (P163023). - WB Investment Project: National Program for Innovation in Fisheries and Aquaculture (P155902). - WB CAT-DDO I (P120860).
Basin councils /committees with approved integrated water resource management plans and under implementation (Text, Custom): Baseline: 6 (2017) – Target: 10 (2021)	- WB IPF: Enhancement of Environmental Quality Services (P147342). - WB IPF: Cuzco Regional Development (P117318). - WB IPF: Integrated Water Resources Management in Ten Basins (P151851). - WB TF: Saweto Dedicated Grant Mechanism in Peru (P148499). - WB GEF: Strengthening Sustainable Management Guano Islands GE (P129647).

<p>Validated surface water quality monitoring networks in operation: Baseline: 0 (2017) – Target: 1 (2021)</p>	<ul style="list-style-type: none"> - WB ASA: Challenge Fund in LAC (Peru & Ecuador)(P166698). - WB TA: Just in Time Reconstruction (P169061). - IFC TA: EDGE LAC Vol (601095).
Objective 8: Improve disaster risk planning and financial management.	
CPF Objective Indicators	WBG Program
<p>Guidelines adopted for integrating resilience into urban planning and cadaster development (Yes/No): Baseline: No (2019) – Target: Yes (2021)</p>	<p><u>Pipeline:</u></p> <ul style="list-style-type: none"> - WB Peru CAT DDO III (P169058). - WB IPF: National Urban Cadaster Project (P162278). - CAT Bond II issuance.
<p>Number of new disaster insurance instruments to which the government has access: Baseline: 0 (2017) – Target 2 (2021)</p>	<p><u>Ongoing:</u></p> <ul style="list-style-type: none"> - WB CAT DDO (P120860) <p><u>Closed during CPF period:</u></p> <ul style="list-style-type: none"> - WB CAT-DDO II (FY19; P149831).

ANNEX 2. Matrix of changes to original CPF Results Matrix

Pillar 1: Productivity for Growth		
Original CPF Objective 1: Improve connectivity at critical corridors of the territory. Revised CPF Objective: UNCHANGED		
Original CPF Indicators	Revised CPF Indicators	Rationale for Change
In Lima/Callao, change in travel time for public transport users for the Ate-Callao origin-destination pair (Minutes): Baseline: 120 (2015) – Target: 45 (2021)	In Lima/Callao, kilometers and stations built for public transport users for the Ate-Callao origin-destination pair (Kilometers and Number): Baseline: 0 km and stations (2015) Target: 13 km, 18 stations built (2021)	REVISED. The indicator has been modified since the Metro line will not be finished by the end of the CPF. The baseline and targets consider the progress estimated at that time.
Reduced truck transit time from production to distribution centers in five selected logistics corridors as feeder roads are integrated to them (Percentage): Baseline: 0% (2016) – Target: 25% (2021)		NOT INCLUDED. As a result of the streamlining of the CPF results framework and reduce the number of indicators, only one indicator of the Subnational Transport Project has been kept in the revised CPF version of this PLR.
In Cuzco, increase the available, efficiency-oriented and regulated public transport capacity along the “Via Expresa” Avenue Corridor, expressed in public transport units per hour (Number): Baseline: 8 (2014) – Target: 20 (2021)		NOT INCLUDED. As a result of the streamlining of the CPF results framework and reduce the number of indicators, only one indicator related urban corridors has been kept in the revised version -related the Lima Metro Project.
District Capitals connected to the National Fiber Optic Backbone Network (Number): Baseline: 0 (2017) – Target: 100 (2021)	Updated telecommunications regulation aiming at promoting competition and broadband Access in rural and remote areas (Yes/No) Baseline: 0 (2015) – Target: 1 (2019)	REVISED. Project has been dropped and is no longer part of the program. New indicator reflects support of the WB to the digital agenda through a series of RAS (P169564).

<u>Original CPF Objective 2:</u> Ease barriers to formalization. <u>Revised CPF Objective:</u> REVISED - Objective has been merged with Objective 4.		
Original CPF Indicators	Revised CPF Indicators	Rationale for Change
Number of registered SME taxpayer and compliance cost (Number of days): Baseline (2013): 133,320 SME taxpayers (TA definition) and 40 days: Target (2018): 146,652 and 36 days.		DROPPED. Project was delayed due to political issues and was closed per donor request by the end of 2018.
<u>Original CPF Objective 3:</u> Facilitate absorption of skills and technology especially by small and medium-sized business. <u>Revised CPF Objective:</u> REVISED Facilitate absorption of skills and technology		
Original CPF Indicators	Revised CPF Indicators	Rationale for Change
Number of beneficiary firms that have introduced new or upgraded products (Number) Baseline: 0 (2016) – Target: 15 (2021)		NOT INCLUDED. As a result of the streamlining of the CPF results framework and reduce the number of indicators, only one indicator of the Innovation in Agriculture Project has been kept in the revised CPF version of this PLR.
<u>Original CPF Objective 4:</u> Enhance the environment for sustainable private sector investments. <u>Revised CPF Objective:</u> REVISED - Selected indicators from CPF objective 2 have been added.		
Original CPF Indicators	Revised CPF Indicators	Rationale for Change
Value of domestic non-government guaranteed infrastructure project bonds issued (US\$): Baseline: 0 (2014) – Target: 750 million (2021)		DROPPED. Still the use of non-government guaranteed is under study of government, not clear if any PPP projects will use this instrument before 2021.
Number of Mining companies incorporating a new Corporate Social Responsibility (CSR) approach: Baseline: 0 (2016) Target: 3 (2021) Actual: 2 (2018)		DROPPED. Indicator was discontinued, and actions were focused on productive and social development of farmer families in mining areas in Apurimac.
Tax authority able to exchange information with international peers in line with international standards: Baseline: 0 (2017) Target 1: Compliant under the 2016 ToRs of the GF (2020) Target 2: Effective AEoI under the CSR (2021)		NOT INCLUDED. As a result of the streamlining of the CPF results framework and reduce the number of indicators, and the merge with indicators of former Objective 2 related Ease to Formalization, this indicator has not been included in the revised version of the CPF matrix.

Number and value (in US\$) of new loans for MSMEs by IFC: Baseline: 1.6 million loans for US\$8.9billion; US\$969 million for women (2021) Target: 2.3 million loans for US\$11.6 billion; US\$1.1 billion for women (2021)	Number and value (in \$) of new loans for MSMEs by IFC: Baseline: 1.6 million loans for US\$8.9billion; \$969 million for women (2021) Target: 2.0 million loans for US\$11.6 billion; US\$1.1 billion for women (2021)	REVISED. The target was slightly revised. The deceleration of economic growth in Peru has resulted in an increase in write-offs of micro finance and consumer loans. Projections for total number of loans outstanding have decreased accordingly. Good performance of SME sector allows to keep relevant targets unchanged.
Pillar 2: Services for Citizens across the Territory		
<u>Original CPF Objective 5:</u> Improve water and sanitation services in key urban areas. <u>Revised CPF Objective:</u> UNCHANGED		
Original CPF Indicators	Revised CPF Indicators	Rationale for Change
Number of urban utilities with positive financial operational results (earnings before interest and taxes): Baseline: 10 (2015) – Target: 18 (2021)	Working ratio reduced in selected water utilities (Number) Baseline: 0 (2018) – Target: 3 (2021)	REVISED. During project preparation, Modernization of Water Supply and Sanitation Project (P1571851), original indicators have been modified and therefore do not reflect current project development objectives. Based on project updated PDOs the indicator has been adjusted.
<u>Original CPF Objective 6:</u> Modernize delivery of health and nutrition services for the poor. <u>Revised CPF Objective:</u> UNCHANGED		
Original CPF Indicators	Revised CPF Indicators	Rationale for Change
Redesign of the SIS financing structure for primary care and secondary treatment: Baseline: Primary care: inequitable “capitation” (2015) Hospitals: Discretionary fee-for-service, no audits. Target: Primary care: Improved capitation mechanism (2021). Hospitals: Transparent fee-for-service, audits (2021).	Percentage of Integrated Health Networks (RIS) that offer an expanded range of health services in Lima Metropolitan Area and prioritized regions. Baseline: 0 (2018) – Target: 20 (2021)	REVISED. During project preparation, Peru Integrated Health Network (P163255), original indicators have been modified and therefore do not reflect current project development objectives. Based on project updated PDOs a new indicator has been added.
	Percentage of children without anemia from 6 to 11 months that have received complete micronutrients for their age: Baseline: 32 (2018) – Target 60 (2022)	ADDED. Reforms towards improving anemia levels in children will be supported by the new DPF Peru: Investing in Human Capital (P170477).

<p><u>Original CPF Objective 7:</u> Expedite the processing of family and commercial cases by the justice system. <u>Revised CPF Objective:</u> REVISED – Improve governance through selected institutional reforms at the national and subnational levels.</p>		
Original CPF Indicators	Revised CPF Indicators	Rationale for Change
<p>Reduced average time for case processing commercial cases by using an online justice platform (number of years): Baseline: 4 years (2016) – Target: 2 years (2023)</p>	<p>Justice sector (national): Percentage of non-criminal cases whose status can be accessed online in real time: Baseline: 0 (2018) – Target: 40 (2021)</p>	<p>REVISED. The indicator has been adjusted to reflect the results framework of the Improving the Performance of Non-Criminal Justice Services project (P162833).</p>
	<p>Decentralization (subnational level) Number of project municipalities with an increased property tax base: Baseline: 0 (2019) – Target: 5 (2021)</p>	<p>ADDED. The Bank will support local capacities for improving tax collection through the National Urban Cadaster Project.</p>
	<p>Number of regions that include any of the key actions that are part of the new Development and Social Inclusion Policy in their Performance Allocation Agreements, including prevention and reference of cases of violence against women: Baseline: 0 (2019) – Target: 5 (2022)</p>	<p>ADDED. Subnational actions of prevention and reference of cases of violence against women will supported by the new DPF Peru: Investing in Human Capital (P170477).</p>
Pillar 3: Natural Resource and Climate Change Risk Management		
<p><u>Original CPF Objective 8:</u> Strengthen the management of natural resources. <u>Revised CPF Objective:</u> UNCHANGED</p>		
Original CPF Indicators	Revised CPF Indicators	Rationale for Change
<p>In Cuzco, Industrial and municipal waste disposal capacity created under the project (Metric ton): Baseline: 0 (2014) – Target: 40 (2020)</p>		<p>NOT INCLUDED. As a result of the streamlining of the CPF results framework and reduce the number of indicators, this indicator has not been included. Project implementation has been difficult, and only one waste disposal was constructed (Urubamba).</p>
<p><u>Original CPF Objective:</u> This objective was not reflected in original CPF matrix. <u>Revised CPF Objective:</u> ADDED - Improve disaster risk planning and financial management.</p>		
	<p>Guidelines adopted for integrating resilience into urban planning and cadaster development (Yes/No): Baseline: No (2019) – Target: Yes (2021)</p>	<p>ADDED. The results framework of the National Urban Cadaster Project is supporting this indicator to contribute to country’s resilience at the local level (P162278).</p>

	Number of new disaster insurance instruments to which the government has access Baseline: 0 (2017) – Target 2 (2021)	ADDED. The Bank supported GoP with new instruments such as the CAT Bonds for disaster risk financing.
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ANNEX 3. PERU FY17-FY21 CPF RESULTS MATRIX SUMMARIZING PROGRESS

Pillar 1: Productivity for Growth	
Objective 1: Improve connectivity at critical corridors of the territory.	
CPF Indicators	Progress to Date
Increase port's capacity in the country's biggest port of el Callao (Million TEUs containers): Baseline: 0.8 (2016) – Target: 1.2 (2021)	Indicator 1: Achieved Port extension completed and operational.
In Lima/Callao, change in travel time for public transport users for the Ate-Callao origin-destination pair (Minutes): Baseline: 120 (2015) – Target: 45 (2021)	Indicator 2: Delayed The implementation progress is very slow, with only 27 percent physical progress against the initially planned 78 percent (latest full implementation review Dec. 2018), and an overall accumulated delay of 2.5 years. Civil works of five metro stations have been completed up to December 2018.
Reduced truck transit time from production to distribution centers in five selected logistics corridors as feeder roads are integrated to them (Percentage): Baseline: 0% (2016) – Target: 25% (2021)	Indicator 4: Delayed Project implementation has been slow and there is a high probability that indicator progress will be delayed.
In Cuzco, increase the available, efficiency-oriented and regulated public transport capacity along the “Via Expresa” Avenue Corridor, expressed in public transport units per hour (Number): Baseline: 8 (2014) – Target: 20 (2021)	Indicator 3: Delayed Because of considerable accrued implementation delays, the works for the Via Expresa cannot be contracted and executed before the closing date. A detailed plan of action and road map was jointly prepared by COPESCO. Failure to undertake the newly established goals will result on the project not being extended beyond its current closing date.
In rural roads, increase the share of rural population with access to an all-season road (Percentage): Baseline: 43 (2016) – Target: 51.5 (2021)	Indicator 5: Delayed Project implementation has been slow and there is a high probability that indicator progress will be delayed.

<p>District Capitals connected to the National Fiber Optic Backbone Network: Baseline: 0 (2017) – Target: 100 (2021)</p>	<p>Indicator 6: No progress Project has been dropped and is no longer part of the program. The project will be financed by own-government resources. The government's digital agenda will now be supported under a RAS (P169564). A new indicator has been included (Annex 1). Government will achieve this indicator with own financed resources. The project is currently in bidding process.</p>
<p><u>Objective 2: Ease barriers to formalization.</u></p>	
<p>CPF Indicators</p>	<p>Progress to Date</p>
<p>Number and value (in US\$) of new loans for MSMEs by IFC: Baseline: 1.6 million loans for US\$8.9 billion; of which US\$969 million for women (2015) Target: 2.0 million loans for US\$11.6 billion; of which US\$1.1 billion for women (2021) Actual: 1,6 million loans for US\$10.4 billion; of which US\$901 for women (2017)</p>	<p>Indicator 7: On track The deceleration of economic growth in Peru has resulted in an increase in non-performing loans, especially in the consumer finance and micro finance segments. The resulting write-offs have led to a decrease in the loan portfolio in these market segments and more cautious lending practices. Accordingly, the projections for growth in these segments has been reduced. Actual numbers show: 1,6 million loans for US\$10.4 billion (2017).</p>
<p>Average # of days to comply with business regulations for security inspection for business entry (Number of Days): Baseline: 40 (2013) – Target: 36 (2018)</p>	<p>Indicator 8: Achieved New technical and building safety law was approved on January 5, 2018, which introduced risk-based technical inspection and building safety requirements. The average number of days for security inspections for business entry was reduced from 40 to 11 days.</p>
<p>Number of registered SME taxpayer and compliance cost (Number of days): Baseline (2013): 133,320 SME taxpayers (TA definition) and 40 days: Target (2018): 146,652 and 36 days. Target (2021): 160,000 and 34 days.</p> <p><i>Note: an SME taxpayers are defined as taxpayers with turnover between 7-2,300 tax-units (UIT; valued at 4050 soles in 2017) and registered under the simplified taxation regime for these types of companies (RER).</i></p>	<p>Indicator 9: Limited progress Due to setbacks with the second Cooperation Agreement with SUNAT, the project faced significant delays in its activities. Although the project achieved significant progress during the period 2013-2018, it was not possible to assess the impact. Donors of the Peru Tax project requested to close the project by the end of December 2018.</p>

Objective 3: Facilitate absorption of skills and technology especially by small and medium-sized business.	
CPF Indicators	Progress to Date
Number of beneficiary firms that have introduced new or upgraded products (Number) Baseline: 0 (2016) – Target: 15 (2021)	Indicator 10: On track Indicator will be measured by midterm review by the end of FY19, but project is progressing as expected.
Clients (farmers) who have adopted an improved agriculture. technology promoted (Number) Baseline: 0 (2016) Target: 20,000 (2021); of which 7,000 females 4,000 Indigenous people.	Indicator 11: On track As of October 2018, 9,406 farmers have adopted an improved agriculture. technology promoted: 32 percent women (3,010) and 35 percent indigenous people (3,292).
Share of artisanal fishermen and aquaculture producers with access to at least one innovation developed (Percentage): Baseline: 0% (2017) – Target: 60% (2021)	Indicator 12: On track Project still at early stage of implementation, so the indicator has not made progress up to date, but project is progressing as expected and the indicator is expected to be achieved by the end of the CPF.
Number of improvement plans for programs and institutions in high level education that are satisfactory implemented: Baseline: 15 (2016) – Target: 257 (2018)	Indicator 13: Achieved There was notable achievement, exceeding expectations, in this area. Under nine calls for proposals, the Fund for Quality Enhancing (FEC) provided financing for the implementation of 257 improvement plans in all of Peru’s 25 regions. All of these 257 plans have been satisfactorily completed (against a PDO target of 108).
Objective 4: Enhance the environment for sustainable private sector investments.	
Number of PPP contracts without MEF’s favorable opinion prior to the tender process at all levels of government: Baseline: 17 (2014) – Target: 0 (2021)	Indicator 14: Achieved The final target of 0 has been achieved; no PPP contracts pass through the tender process without MEF’s favorable opinion.
Value of domestic non-government guaranteed infrastructure project bonds issued (US\$): Baseline: 0 (2014) – Target: 750 million (2021)	Indicator 15: Dropped The <i>Obra de Cabeceras</i> project may be able to use the new PPP framework but still is under preparation and may be awarded in March of 2020 and will then require a minimum of one year for the financial closing. Given the uncertainty the indicator has been dropped at this point.

<p>Number of Mining companies incorporating a new Corporate Social Responsibility (CSR) approach: Baseline: 0 (2016) – Target: 3 (2021)</p>	<p><u>Indicator 16: Partially Achieved</u> The project helped leverage resources from two mining companies and several government agencies from the three levels of government: The Municipality of Coyllurqui, Local Health Care Centers; Local Schools; the Regional Government of Apurimac and, the Ministry of Women, the Ministry of Social Development; to achieve common goals and benefit farmer families in the region.</p>
<p>A new Model treaty reflecting the country treaty policy (balance between protecting the tax base and fostering FDI) is developed (Yes/No): Baseline: 0 (2017) – Target: 1 (2019)</p>	<p><u>Indicator 17: Achieved</u> During the 2017 period, as part of the OECD technical assistance, WB provided capacity building on double tax conventions to the definition of a new model reflecting treaty policy.</p>
<p>Tax authority able to exchange information with international peers in line with international standards (text): Baseline: 0 (2017) Target 1: Compliant under the 2016 ToRs of the GF (2020) Target 2: Effective AEOI under the CSR (2021)</p>	<p><u>Indicator 18: On track</u> WB’s support in Peru has already contributed to quickly enact legislation that introduces international tax standards on BEPS and tax transparency. In December 2016, the Peruvian Parliament approved reforms covering repatriation of capital, transfer pricing documentation, transfer pricing rules for international commodity transactions, intragroup services deductibility and some provisions on exchange of information.</p>

Pillar 2: Services for Citizens across the Territory	
Objective 5: Improve water and sanitation services in key urban areas.	
CPF Indicators	Progress to Date
<p>Urban households with access to water services (Percentage): Baseline: 94 (2015) – Target: 96 (2021)</p>	<p><u>Indicator 19: On track</u> The comprehensive package of WB knowledge, convening and advisory services has provided key, just-in-time support to the Government of Peru in the design of the Water and Sanitation Sector Reforms program, including the new Sector Policy and Regulatory Framework. Implementation of the reforms is now underway with financial support through the Water Sector Modernization Program (P157043). On the water security front, analytical services supported SEDAPAL in structuring indicators to monitor and evaluate the implementation of programs for watershed management and payment for ecosystem services. Other analytical activities looked at enhancing the capacity of Arequipa’s water utility (SEDAPAR) to shape its commercial finance strategy and explore how to improve the existing regulatory instruments, providing options to revise the operating plans and modernize tariff-setting mechanisms. The update of <i>Plan Nacional de Saneamiento 2017-2021</i> will include new numbers not available yet.</p>
<p>Urban households with access to sanitation services (Percentage): Baseline: 80 (2015) – Target: 84 (2021)</p>	<p><u>Indicator 20: On track</u> The Bank is supporting with different instruments the improvement in sanitation services that include TA and three investment projects. The update of <i>Plan Nacional de Saneamiento 2017-2021</i> will include new numbers not available yet.</p>
<p>Number of urban utilities with positive financial operational results (earnings before interest and taxes): Baseline: 10 (2015) – Target: 18 (2021)</p>	<p><u>Indicator 21: Revised and adjusted</u> Project supporting EPS was delayed and the project changed during project preparation. Integrated Water Resources Management in Ten Basins (P151851) was finally signed on January 2019, so the indicator was revised to reflect the actual projection that will be achieved until 2021. The current indicator is: Working ratio reduced in selected water utilities Baseline: 0 (2018) Target: 2 (2021)</p>

<u>Objective 6: Modernize delivery of health and nutrition services for the poor.</u>	
CPF Indicators	Progress to Date
<p>Redesign of the SIS financing structure for primary care and secondary treatment: Baseline: Primary care: inequitable “capitation” (2015) Hospitals: Discretionary fee-for-service, no audits. Target: Primary care: Improved capitation mechanism (2021). Hospitals: Transparent fee-for-service, audits (2021).</p>	<p><u>Indicator 22: Revised</u> Indicator changed through project preparation. Original indicator was not measured. The Bank will support GoP implementing an ambitious health program to contribute to the provision of timely, efficient and high-quality services in first level public health facilities, contributing to SDG#3. In so doing, CPF original indicator has been revised and will now measure the capacity of first level health facilities through the Peru Integrated Health Network Project (P163255), as follows: Percentage of Integrated Health Networks (RIS) that offer an expanded range of health services in Lima Metropolitan Area and prioritized regions. Baseline: 0 (2018) Target: 20 (2021)</p>
<p>Nutrition - Percentage of children under 36 months that have received complete CRED scheme according to their age. (ENDES): Baseline: 54.9% (2015) – Target: 80% (2017)</p>	<p><u>Indicator 23: Achieved</u> Indicator target was achieved in 2018 and included national average as Peru’s Nutrition Strategy was supported with the SWAP: Results Nutrition for Juntos (P117310) and the TA Support to Peru’s Nutrition Strategy to Reduce High Anemia and Stunting in Children under 36 Months (P162483).</p>
<u>Objective 7: Improve governance through selected institutional reforms at the national and subnational levels.</u>	
CPF Indicators	Progress to Date
<p>Reduced average time for case processing commercial cases by using an online justice platform (Time in years): Baseline: 4 years (2016) – Target: 2 years (2022/3)</p>	<p><u>Indicator 24: Revised</u> Indicator changed through project preparation. Original indicator was not measured. As the results framework of the project changed during project preparation (Efficient and Equitable Justice Services P162833), a new indicator has been proposed: Percentage of non-criminal cases whose status can be accessed online in real time.</p>

Pillar 3: Natural Resource and Climate Change Risk Management	
<u>Objective 8</u> : Strengthen the management of natural resources.	
CPF Indicators	Progress to Date
Hectares of native community lands titled in high threat areas (Number): Baseline: 0 (2017) – Target: 780,000 (2020)	<u>Indicator 25: On track</u> As September 2018, 15,000 hectares of native community lands are titled in high threat areas.
Basin councils /committees with approved integrated water resource management plans and under implementation (Number). Baseline: 6 (2017) – Target: 10 (2021)	<u>Indicator 26: On track</u> Project is under implementation still at early stage. Indicator has not been measured at this point, but studies are underway.
Coordinating bodies at the national and macro regional level strengthened for the prioritization, planning, preparation of rules, plans, procedures and instruments for the governance of the National System of Fishing and Aquaculture (Number): Baseline: 0 (2017) – Target: 7 (2021)	<u>Indicator 27: On track</u> Project still at early stage of implementation, so the indicator has not made progress up to date, but project is progressing as expected and the indicator is expected to be achieved by the end of the CPF.
In Cuzco, Industrial and municipal waste disposal capacity created under the project (Metric ton): Baseline: 0 (2014) – Actual: 0 (2017) – Target: 25 (2020)	<u>Indicator 28: Moderate progress.</u> Project implementation has been difficult, and project might close without completing the works. Urubamba waste disposal has been constructed but still is not under operation. The indicator has been adjusted to reflect the progress in one of the three originally planned landfills since only Urubamba landfill was constructed.
Validated surface water quality monitoring networks in operation (Number): Baseline: 0 (2017) – Target: 1 (2021)	<u>Indicator 29: On track</u> Project still at early stage of implementation, so the indicator has not made progress up to date, but project is progressing as expected and the indicator is expected to be achieved by the end of the CPF.

ANNEX 4: MONITORING OF THE UPDATED CPF RESULTS FRAMEWORK

I. Productivity for Growth	
Objective 1: Improve connectivity at critical corridors of the territory.	
CPF Objective Indicators	Indicator Description and Data Source
<p>Increase port's capacity in the country's biggest port of el Callao (Million TEUs containers): Baseline: 0.8 – (2016) Target: 1.2 (2021)</p>	<p>Description: Millions of twenty-foot equivalent container units transported through the port in the last reporting period.</p> <p>Data Source: IFC Development Outcome Tracking systems based on client reports</p>
<p>In Lima/Callao, kilometers and stations built for public transport users for the Ate-Callao origin-destination pair (Kilometers, Number): Baseline: 0 km and stations (2015) – Target: 13 km, 18 stations built (2021)</p>	<p>Description: Average passengers per day on segment of Line 2 in operation. Intermediate ridership values in years 2018 and 2019 correspond to an initial estimated demand for Phase 1A and Phase 1B in full operation, respectively.</p> <p>Data Source: Passenger counts after at least one year of operations.</p>
<p>In rural roads, increase the share of rural population with access to an all-season road (Percentage): Baseline: 43 (2015) – Target: 51.50 (2021)</p>	<p>Description: Percentage of rural people in the project area who live within 2 kilometers (typically equivalent to a 20-minute walk) of an all-season road. This indicator is also known as Rural Access Index (RAI). An all-season road is motorable all year by the prevailing means of rural transport (often a pick-up or a truck which does not have four-wheel-drive). Predictable interruptions of short duration during inclement weather (e.g. heavy rainfall) are acceptable, particularly on low volume roads. Please note that this indicator requires supplemental information Supplemental Value: Number of rural people with access to an all-season road The Supplemental Value is the total number of rural people with access to an all-season road. An all-season road is a road that is motorable all year by the prevailing means of rural transport (often a pick-up or a truck which does not have four-wheel-drive).</p> <p>Data Source: Rural Access Index (RAI) Methodology.</p>
<p>Updated telecommunications regulation aiming at promoting competition and broadband Access in rural and remote areas (No/Yes): Baseline: 0 (2015) – Target: 1 (2019)</p>	<p>Description: Advise the Ministry of Transport and Communications (MTC) on strategic reforms to accelerate and expand broadband services to rural and remote communities of the country. This technical assistance is supported by a series of RAS. Strategic Reforms to expand Broadband Connectivity and Services to Rural and Remote Communities (P170485).</p>

	Data Source: New enacted regulation.
Objective 2: Facilitate absorption of skills and technology especially by small and medium-sized business.	
CPF Objective Indicators	Indicator Description and Data Source
Clients (farmers) who have adopted an improved agriculture. technology promoted (Number) Baseline: 0 (2014) – Target: 20,000 (2020); 7,000 females 4,000 Indigenous people.	Data Source: Projects semi-annual reports. Project Surveys
Share of artisanal fishermen and aquaculture producers with access to at least one innovation developed (percentage): Baseline: 0% (2017) – Target: 70% (2022)	Description: Cumulative target. A representative sample of the universe of total beneficiaries (productive agents) will be taken to calculate this indicator. The data will be collected annually for the PNIPA M&E team. The sample size will be determined applying the stratified sampling method. Data Source: Annual field-based survey taking into the consideration a representative sample of total beneficiaries (productive agents).
Number of improvement plans for programs and institutions in high level education that are implemented satisfactorily (Number): Baseline: 15 (2016) – Target: 257 (2018)	Description: Number of plans to improve Higher Education Quality Assurance System through the Financing of Improvement Plans, supported by the Higher Education Quality Improvement Project (P122194). Data Source: Implementation Completion Report of the Higher Education Quality Improvement Project (P122194).
Objective 3: Enhance the environment for sustainable private sector investments.	
CPF Objective Indicators	Indicator Description and Data Source
Number of PPP contracts without MEF’s favorable opinion prior to the tender process at all levels of government: Baseline: 17 (2014) Target: 0 (2017) Target: 0 (2021)	Description: The Borrower has enacted a new PPP framework to: (i) incorporate PPPs into the budget process, and ensure spending units (PPP promoters) prioritize their budget allocations for PPPs in a way that is consistent with their existing fiscal framework; (ii) ensure that only projects with a strong business case as reflected in the evaluation report that adhere to the principles of value-for-money and adequate risk sharing are selected; and (iii) require MEF's favorable binding opinion to the business case reflected in the evaluation report (Informe de Evaluación) and to the final draft of the corresponding PPP agreement prior to the entering into any PPP contract. Data Source: Legislative Decree No. 1224 published in the Official Gazette on September 25, 2015 and Supreme Decree No. 410-2015-EF published in the Official Gazette on December 27, 2015.

<p>Number and value (in US\$) of new loans for MSMEs by IFC: Baseline: 1.6 million loans for US\$8.9billion; of which US\$969 million for women (2021) Target: 2.3 million loans for US\$11.6 billion; of which US\$1.1b for women (2021)</p>	<p>Description: Number and volume of outstanding loans in the portfolio of a financial intermediary at the end of its fiscal year. This indicator includes Microfinance and SME finance loans as well as consumer loans. Microfinance loan is defined as a commercial loan with amount at origination up to US\$10,000; SME loan - defined as a commercial loan with amount at origination between US\$10,000 to US\$1,000,000 (or to US\$2,000,000 in more advanced emerging markets).</p> <p>Data source: IFC Development Outcome Tracking system based on client reporting.</p>
<p>Average number of days to comply with business regulations for security inspection for business entry: Baseline: 40 (2013) – Target: 36 (2018)</p>	<p>Description: The average number of days from request of inspection certificate to issuance of inspection certificate.</p> <p>Data Source: New Regulation of ITSE (Technical Inspections of Building Safety) Law, approved on January 5, 2018, by Supreme Decree No. 002-2018-PCM. The law specifies a maximum time of 9 business days (11 calendar days) to meet a request for an inspection certificate under a provision of positive administrative silence.</p>
<p>II. Services for Citizens across the Territory</p>	
<p>Objective 4: Improve water and sanitation services in key urban areas.</p>	
<p>CPF Objective Indicators</p>	<p>Indicator Description and Data Source</p>
<p>Urban households with access to water services (Percentage): Baseline: 94 (2015) – Target: 96 (2021)</p>	<p>Description: Urban access from households to drinking water.</p> <p>Data Source: <i>Plan Nacional de Saneamiento 2017-2021</i>, approved by Supreme Decree N° 018-2017-VIVIENDA.</p>
<p>Urban households with access to sanitation services (Percentage): Baseline: 80 (2015) – Target: 84 (2021)</p>	<p>Description: Urban access from households to drinking water.</p> <p>Data Source: <i>Plan Nacional de Saneamiento 2017-2021</i>, approved by Supreme Decree N° 018-2017-VIVIENDA.</p>
<p>Working ratio reduced in selected water utilities (Number) Baseline: 0 (2018) – Target: 6 (2023)</p>	<p>Description: The ratio calculated between operational expenses (personnel costs, energy, chemicals, goods and services), without depreciation, and operational income (water and sewerage revenues, other technical services revenues and accounts receivable). There is an end target for each selected EPSs. Arequipa, Cusco, Pucallpa, Barranca, Huaral and Huacho.</p> <p>Data Source: SUNASS and EPSs reports.</p>

Objective 5: Modernize delivery of health and nutrition services for the poor.	
CPF Objective Indicators	Indicator Description and Data Source
Percentage of first level health facilities (type I-3, I-4, up-to-12 hours or 24 hours) that offer an expanded range of health services in the areas selected for component 1. Baseline: 0 (2019) – Target: 50 (2023)	Description: The number of public health facilities that were I-3 or I-4 at baseline and/or were selected to be converted into up-to-12-Hour or 24-hour clinics, within the geographical areas selected for component 1. Numerator: Among the facilities in the denominator, those that offer services for common chronic and non-communicable diseases. Data Source: Health facilities: MINSA HF database and PRONIS records; Service: SUIS
Nutrition - Percentage of children under 36 months that have received complete CRED scheme according to their age. (ENDES): Baseline: 54.9 (2015) – Target: 80 (2017)	Description: Percentage of children at the national level that have received growth and development checkups according to their age. Data Source: ENDES 2014, 2017.
Percentage of children without anemia from 6 to 11 months that have received complete micronutrients for their age: Baseline: 32% (2018) – Target 60% (2022)	Description: Percentage of infants between 6 and 11 months who are not anemic and have received iron supplements appropriate for their age. Data Source: ENDES 2021-2022.
Objective 6: Contribute to better governance through expedite access to justice services and subnational public management capacity.	
CPF Objective Indicators	Indicator Description and Data Source
Percentage of non-criminal cases whose status can be accessed online in real time: Baseline: 0 % (2018) – Target: 40% (2021)	Description: An assessment of the actual utilization of EJE by end-users. Data Source: EJE. Analysis of number of EJE files that are accessed by litigants.
Number of selected municipalities with an increased property tax base: Baseline: 0 (2019) – Target: 5 (2021)	Description: This indicator will be supported by the National Urban Cadaster and Municipal Strengthening Project; the increased property tax base refers to increase in the number of properties and their attributions that have been included in the municipal cadaster system. Data Source: Reports from PIU

<p>Number of regions that include any of the key actions that are part of the new Development and Social Inclusion Policy in their Performance Allocation Agreements, including prevention and reference of cases of violence against women: Baseline: 0 (2019) – Target: 5 (2022)</p>	<p>Description: MIDIS and regional governments have included key actions and activities of the new Social Inclusion and Development Policy in their performance-based budget agreements (FED), including prevention of cases of violence against women.</p> <p>Data Source: Performance-based agreements signed. Reports from DPL Investing in Human Capital (P170477).</p>
<p>III. Natural Resource and Climate Change Risk Management</p>	
<p>Objective 7: Strengthen the management of natural resources.</p>	
<p>CPF Objective Indicators</p>	<p>Indicator Description and Data Source</p>
<p>Hectares of native community lands titled in high threat areas (Number): Baseline: 0 (2016) – Target: 780,000 (2020)</p>	<p>Description: Support Indigenous Peoples in their efforts to improve their sustainable forest management practices</p> <p>Data Source: Technical reports, mid-term and final evaluation</p>
<p>Basin councils /committees with approved integrated water resource management plans and under implementation (Number). Baseline: 6 (2017) – Target: 10 (2021)</p>	<p>Description: 6 basins in the Pacific Watershed will be strengthened to update existing integrated basin plans (using analytical tools of NWRIS) and to promote financing of approved plans. 3 new basin councils and 1 committee (Alto Mayo) will be created in Atlantic Watershed with representation of various stakeholders across the basins.</p> <p>The newly created CCs will prepare participatory, integrated basin plans using analytical tools developed by NWRIS and heavily consulted. The plans will be approved, which implies a government decree formalizing and certifying the plans. On average the project seeks to implement and or find financing commitments for 50% of activities outlined in the plans.</p> <p>Data Source: Integrated Basin Plans and progress reports from ANA.</p>
<p>Validated surface water quality monitoring networks in operation (Number): Baseline: 0 (2017) – Target: 1 (2022)</p>	<p>Description: This indicator measures the number of networks: one control center and various monitoring stations connected to it. "Validated" means having a certification as proof to meet certain Peruvian quality assurance and quality control s at the monitoring station and control center level. Working with ANA, OEFA will develop a protocol for monitoring validation. OEFA will validate the operations and maintenance of the system each year.</p> <p>Data Source: Technical inspection of networks and monitoring stations compliance with quality assurance and quality control protocols.</p>

<p>In Cuzco, Industrial and municipal waste disposal capacity created under the project (Metric tons per day): Baseline: 0 (2014) – Actual: 0 (2017) – Target: 25 (2021)</p>	<p>Description: This indicator measures the municipal or industrial solid waste annual disposal capacity created as a result of the project. The baseline for this indicator is zero.</p> <p>Data Source: Provinces of Cusco, Calca and Urubamba.</p>
<p>Objective 8: Improve disaster risk planning and financial management.</p>	
<p>CPF Objective Indicators</p>	<p>Indicator Description and Data Source</p>
<p>Guidelines adopted for integrating resilience into urban planning and cadaster development (Yes/No): Baseline: No (2019) – Target: Yes (2021)</p>	<p>Description: This indicator will be supported by the National Urban Cadaster and Municipal Strengthening Project; the increased property tax base refers to increase in the number of properties and their attributions that have been included in the municipal cadaster system.</p> <p>Data Source: Reports from PIU</p>
<p>Number of new disaster insurance instruments to which the government has access Baseline: 0 (2017) – Target 2 (2021)</p>	<p>Description: Measures the increased access to disaster insurance instruments, including CAT Bonds. Access means that the Government has the technical resources needed to design and evaluate possible instruments. The technical resources include risk profiles, market-ready structures, and the institutional capacity to engagement with the international markets.</p> <p>Data Source: Technical reports, Supreme Decrees (as related to transactions).</p>

ANNEX 5: WBG PROGRAM

<u>Active Projects</u>		<u>Supervision Rating</u>			<u>Net Commitment in US\$ Millions</u>				
<u>Project ID</u>	<u>Project Name</u>	<u>Development Objectives</u>	<u>Implementation Progress</u>	<u>Fiscal Year</u>	<u>IBRD</u>	<u>IDA</u>	<u>Grants</u>	<u>Cancel.</u>	<u>Undish.</u>
P120860	Catastrophe Development Policy Loan DDO	S	MS	2011	100	0	0	0	100
P117293	PE Optimization of Lima Water and Sewerage Systems	MS	MS	2011	109.5	0	0	0	25.6
P117318	Cusco Regional Development	U	U	2014	16.1	0	0	18.9	11.3
P129647	GEF Strengthening Sust Mgmt Guano Islands	MS	MS	2014	0	0	8.9	0	1.6
P131013	National Agricultural Innovation	MS	MS	2014	40	0	0	0	8.2
P132505	Cusco Transport Improvement Project	MU	U	2014	120	0	0	0	117
P148499	Saweto Dedicated Grant Mechanism in Peru	S	S	2016	0	0	5.5	0	2.4
P145610	PE Lima Metro Line 2 Project	MU	MS	2016	300	0	0	0	230
P132515	Support to the Subnational Transport Program Project	MS	MU	2016	50	0	0	0	46.3
P154981	Public Expenditure and Fiscal Risk Management DPF-DDO	S	S	2016	1250	0	0	0	1250
P156858	Boost Hum. Cap. And Productivity DPL-DDO	S	MS	2016	1250	0	0	0	904.3
P147342	Enhancement of Environmental Quality Services	S	S	2017	40	0	0	0	39.4
P156250	Peru Innovation	S	MS	2017	45	0	0	0	29
P155902	Innovation in Fisheries and Aquaculture	S	S	2017	40	0	0	0	32.1
P151851	Integrated Water Resources Management in Ten Basins	MS	MS	2017	40	0	0	0	39
P157043	Modernization of Water Supply and Sanitation Services	MS	MS	2019	70	0	0	0	70
P163023	Integrated Forest Landscape Management in Atalaya, Ucayali			2019	0	0	6.4	0	6.4
P163255	Peru Integrated Health Networks			2019	125	0.0	0	0	125
Overall Result					3595.6	0	20.8	18.9	3037.4

As of February 28, 2019.

IFC Portfolio in Peru

Commitment Fiscal Year	Institution Short Name	LN Cmtd - IFC	LN Repayment - IFC	ET Cmtd - IFC	QL + QE Cmtd - IFC	GT Cmtd - IFC	RM Cmtd - IFC	ALL Cmtd - IFC	ALL Cmtd - Part	LN Out - IFC	ET Out - IFC	QL + QE Out - IFC	GT Out - IFC	RM Out - IFC	ALL Out - IFC	ALL Out - Part
2001/2012	UPC	14.41	19.64	0	0	0	0	14.41	0	14.41	0	0	0	0	14.41	0
2006/2007/2016/2002/2008/2012	MIBANCO PERU	50.03	47.09	0	0	0	0	50.03	0	50.03	0	0	0	0	50.03	0
2007	Lima JCI Airport	0	0	16.76	0	0	0	16.76	0	0	13.41	0	0	0	13.41	0
2009/2010/2013/2018/2017/2014/2007/2011/2016/201	BanBif	0	30.00	50.00	0	0	0	50.00	0	0	50.00	0	0	0	50.00	0
2009/2014/2011	Financera Confianza	4.97	19.09	12.40	0	0	0	17.37	0	4.97	12.40	0	0	0	17.37	0
2010	Enfoca	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2013/2015	APMTC	37.39	20.13	0	0	0	6.00	43.39	136.16	37.39	0	0	0	1.40	38.79	136.16
2014	PEIP	0	0	7.74	0	0	0	7.74	0	0	7.74	0	0	0	7.74	0
2015	HMC Capital	0	0	8.30	0	0	0	8.30	0	0	4.87	0	0	0	4.87	0
2016	BTST	0	0	1.99	0	0	0	1.99	0	0	1.99	0	0	0	1.99	0
2017	LLP Peru	14.00	0	0	0	0	0	14.00	14.00	5.00	0	0	0	0	5.00	5.00
2018	Acceso Crediticio	9.77	0	0	0	0	0	9.77	0	9.77	0	0	0	0	9.77	0
2018/2017/2015	Tinka	0	0	6.30	0	0	0	6.30	0	0	6.30	0	0	0	6.30	0
2018/2017/2019/2015/2016	BANCO PICHINCHA PERU	0	0	0	0	8.88	0	8.88	0	0	0	0	8.88	0	8.88	0
Grand Total:		130.57	135.95	103.49	0	8.88	6.00	248.94	150.16	121.57	96.71	0	8.88	1.40	228.56	141.16

As of January 31, 2019.

Statement of MIGA's Exposure in Peru

As of January 31, 2019

Contract	Project ID	Effective Date	Expiry Date	Investor Name	Contract Enterprise	Host Country	Investor Country	Business Sector	Maximum (\$USD)
0252-01-01	4006	05/29/2002	05/28/2019	Fraport AG	Lima Airport Partners S.R.L.	Peru	Germany	Infrastructure	6,156,000
15644-01	14247	06/28/2018	06/27/2025	Banco Santander S.A.	Banco Santander Peru S.A.,	Peru	Spain	Financial	246,645,325
2 Contracts									252,801,325

ANNEX 6: KEY ECONOMIC INDICATORS

	2015	2016	2017	2018	2019 f	2020 f
Real GDP growth, at constant market prices	3.3	4.0	2.5	4.0	3.8	3.9
Private Consumption	4.0	3.3	2.5	3.7	3.7	3.8
Government Consumption	7.9	5.2	4.4	4.7	4.4	3.4
Gross Fixed Capital Investment	-7.2	-4.4	1.1	7.6	6.7	7.0
Exports, Goods and Services	4.3	11.4	7.2	2.4	3.2	3.5
Imports, Goods and Services	1.0	1.5	6.2	4.7	5.5	5.5
Real GDP growth, at constant factor prices	3.5	4.0	2.4	4.1	3.7	3.9
Agriculture	4.0	1.7	2.7	10.0	1.5	2.3
Industry	1.7	4.2	1.6	3.9	3.7	4.0
Services	4.7	4.1	2.9	3.6	4.0	4.0
Prices:						
Inflation (average)	3.6	3.6	2.8	1.3	2.6	2.7
Current Account Balance (% of GDP)	-4.8	-2.8	-1.3	-1.1	-1.5	-2.1
Net Foreign Direct Investment (% of GDP)	4.3	3.5	3.1	3.5	4.0	4.0
Fiscal Balance (% of GDP) 1/	-2.0	-2.5	-3.1	-2.5	-2.0	-1.5
Debt (% of GDP) 1/	23.3	23.9	24.9	25.7	26.5	26.3
Poverty Rate						
Poverty rate (\$ 3.20 a day, 2011 PPP terms)	10.4	10.0	9.8	9.4	8.9	8.6
Poverty rate (\$ 5.50 a day, 2011 PPP terms)	24.3	24.3	24.0	23.2	22.5	21.8

Note 1/: Corresponds to non-financial public sector.

ANNEX 7: GENDER ASSESSMENT FOR PERU DURING FY17-18

Peru has made substantial progress in the promotion of gender equality in the last two decades, particularly in access to education and health services. With regard to education, the small existing differences in educational attainment and completion at the secondary and tertiary levels are to the detriment of boys. Maternal mortality rates, access to contraception and adolescent fertility have witnessed significant improvements and compare favorably to other Andean countries. Peru has also made important advances in the development of an adequate legal and institutional framework for gender equality, and with regard to female labor market inclusion, the country shows one of the highest rates of female labor force participation in Latin America. However, some very important differences between women and men still persist in the country. For instance, gender gaps are still large in access to quality jobs and in entrepreneurship. Women's access to financial products is one of the lowest in the world. In addition, women continue being under-represented in politics, regardless of the existing 30 percent quota for candidates' lists, and in firm management. Moreover, there is evidence that gender inequality combines with other social factors such as residence and ethnicity in Peru. Women with an indigenous background, for instance, tend to be much more disadvantaged than non-indigenous women across all dimensions of welfare; likewise, rural women tend to be more disadvantaged than women living in cities.

Gender-based violence continues to be a major social issue, largely in connection with the lack of adequate enforcement of the existing regulations and legal provisions. According to the most recent Demographic and Health Surveys data (2014) 70.8 percent of women who have had a partner reported suffering some kind of violence by the husband or partner, and the vast majority of female victims tend to not search for institutional assistance.

Given the relevance of these gender issues in Peru, the WB carried out a Gender Analysis task for the Andean Countries (P164267) early in the CPF cycle to address gender inequality more effectively. Under this task, a gender assessment for Peru was implemented to inform a strategic Gender Action Plan for the remainder fiscal years of the CPF. In FY19, the dedicated gender work program continues focusing on the dissemination of good practice on gender activities in the portfolio and the enhancement of gender actions in ongoing and pipeline operations, as well as additional gender work specifically related to gender violence.

As a result, the WB has incorporated a wide variety of gender activities (dissemination of good practice on gender in the portfolio, enhancement of gender actions in ongoing and pipeline operations, gender work specifically on gender violence) throughout different sectors, addressing various dimensions of gender equality and narrowing some of the most pressing gender gaps in the country. For instance, to strengthen gender equality in endowments, the WBG addresses critical gender gaps in science and technology, a priority area identified within the WBG Gender Strategy. The *Peru Strengthening Science, Technology and Innovation System Project*⁸ strengthens national institutions responsible for improving research skills and firm-level innovation in the areas of science and technology. Institutions receiving grants will be required to provide beneficiary data disaggregated by gender, ensure proposals reviewed avoid gender bias, provide gender sensitivity training as part of capacity building, and prioritize gender-informed proposals in competitively financed activities.

⁸ Project P156250, active until December 31, 2021.

Other projects sought to improve livelihood opportunities and incomes of rural women. Through the *Saweto Dedicated Grant Mechanism Project*⁹, the WBG incentivized communities to include rural women's ideas into competitive grant subprojects. Women were involved in the development of all sub-projects, both for land titling and sustainable forest management; and 10 of 40 sustainable forest management projects are led by women. The project has already surpassed its 50 percent target for female beneficiaries. Similarly, in the Peru *National Agricultural Innovation Project*¹⁰, funding for adaptive research projects, extension projects, and capacity building sub-projects (scholarships for postgraduate studies and internships) has been awarded through competitive grants. The projects have surpassed the 33 percent target for women-won grants; and monitors women's access to project-provided services for the adoption of technologies, as well as empowerment of women through their leadership in community decision-making bodies responsible for the use of resources.

Through ASA the WB is supporting the Government in tackling the challenge of gender-based violence. Specifically, it is working to strengthen the evidence base on violence against women in Peru, by: (i) documenting and analyzing the incidence and profile of incidence of violence against women in Peru, the factors associated with violence against women, and the implications for families and society, and (ii) collecting and systematizing information on interventions aimed at preventing, punishing, and eradicating domestic violence, including those attending to victims, to provide a comprehensive mapping of what is being done to end violence against women. The work is expected to inform budgetary allocations on this issue, through dialogue with the Ministry of Women and Vulnerable Populations and the Ministry of Economy and Finance.

Looking forward, as transport projects in Peru progress in their implementation, the WBG will work to ensure affordable, safe and efficient transport, which is necessary to facilitate women's mobility and their access to improved economic opportunities and services. The *Lima Metro Line 2 Project*¹¹ will improve urban transport systems and will measure gender-specific impacts of the new infrastructure. The integrated fare structure will allow for inter-modal transfers (of up to 70 minutes), producing potential savings, especially for women who often complete multi-leg trips for the purposes of childcare, household management, and informal sector employment.

⁹ Project P148499, active until March 1, 2021.

¹⁰ Project P131013, active until September 1, 2019.

¹¹ Project P145610, active until December 31, 2021.