

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**PERU**

**IMPROVEMENT OF THE SERVICES OF THE  
PENSION STANDARDIZATION OFFICE**

**(PE-L1290; PE-J0001)**

**LOAN PROPOSAL**

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## ABBREVIATIONS

3CV	Individual consultant selection
CGR	Office of the Comptroller General
GRF	IDB Grant Facility
ICB	International competitive bidding
MEF	Ministry of the Economy and Finance
NPV	Net present value
OCI	Internal control office
ONP	Pension Standardization Office
OPG	Planning, Budget, and Management Evaluation Office
OTI	Information Technology Office
QCBS	Quality- and cost-based selection
RENIEC	Registro Nacional de Identificación y Estado Civil (National Identification and Vital Statistics Registry)
SIAF	Integrated Financial Administration System
SIIP	Sistema Integrado de Información Previsional (Integrated Pension Information System)
SNM	Superintendencia Nacional de Migraciones (National Migration Superintendency)
SNP	National Pension System
SPP	Private Pension System

**PROJECT SUMMARY**  
**PERU**  
**IMPROVEMENT OF THE SERVICES OF THE PENSION STANDARDIZATION OFFICE**  
**(PE-L1290; PE-J0001)<sup>1</sup>**

Financial Terms and Conditions								
<b>Borrower/Beneficiary:</b>				<b>Flexible Financing Facility<sup>(a)</sup></b>				
Republic of Peru				<b>Amortization period:</b>		20 years		
<b>Executing agency:</b>				<b>Disbursement period:</b>		5 years		
Pension Standardization Office (ONP)				<b>Grace period:</b>		6 years <sup>(b)</sup>		
<b>Source</b>	<b>Amount (US\$)</b>	<b>%</b>	<b>Interest rate:</b>			SOFR-based		
<b>IDB (Ordinary Capital):</b>	60,000,000	74	<b>Credit fee:</b>			<sup>(c)</sup>		
<b>IDB Grant Facility (GRF)<sup>(f)</sup>:</b>	1,000,000	1	<b>Inspection and supervision fee:</b>			<sup>(c)</sup>		
<b>Local:</b>	19,839,751	25	<b>Weighted average life:</b>			13 years		
<b>Total:</b>	80,839,751	100	<b>Approval currency:</b>			U.S. dollars		
Project at a Glance								
<b>Project objective/description:</b> The general project objective is to achieve proper delivery of the core services of the Pension Standardization Office (ONP) to customers nationwide. The specific objectives are: (i) to improve operational efficiency of services; and (ii) to improve interaction with ONP customers.								
<b>Special contractual conditions precedent to the first disbursement of financing:</b> As contractual conditions precedent to the first disbursement, the executing agency will present evidence, to the satisfaction of the Bank, of: (i) the establishment of a project execution unit within the executing agency's structure, as established in paragraph 3.2 and the <a href="#">Project Operating Regulations</a> ; (ii) the hiring and/or appointment with the project execution unit, as appropriate, of the chief, administrative coordinator, procurement specialist, and financial specialist (in cash management), in accordance with the terms of reference agreed upon previously with the Bank; and (iii) the approval and entry into force of the <a href="#">Project Operating Regulations</a> , in accordance with the terms previously agreed upon with the Bank (paragraph 3.8).								
<b>Exceptions to Bank policy:</b> None.								
Strategic Alignment								
<b>Objectives:<sup>(d)</sup></b>	O1 <input checked="" type="checkbox"/>		O2 <input type="checkbox"/>			O3 <input type="checkbox"/>		
<b>Operational focus areas:<sup>(e)</sup></b>	OF1 <input checked="" type="checkbox"/>	OF2-G <input checked="" type="checkbox"/> OF2-D <input checked="" type="checkbox"/>	OF3 <input checked="" type="checkbox"/>	OF4 <input checked="" type="checkbox"/>	OF5 <input type="checkbox"/>	OF6 <input type="checkbox"/>	OF7 <input type="checkbox"/>	

- (a) Under the terms of the Flexible Financing Facility (FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.
- (b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.
- (c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.
- (d) O1 (Reduce poverty and inequality); O2 (Address climate change); and O3 (Bolster sustainable regional growth).
- (e) OF1 (Biodiversity, natural capital, and climate action ); OF2-G (Gender equality); OF2-D (Inclusion of diverse population groups); OF3 (Institutional capacity, rule of law, and citizen security); OF4 (Social protection and human capital development); OF5 (Productive development and innovation through the private sector); OF6 (Sustainable, resilient, and inclusive infrastructure); OF7 (Regional integration).
- (f) Nonreimbursable financing. The IDB Grant Facility (GRF) is the Bank's nonreimbursable facility for supporting countries that are experiencing large and sudden intraregional migration flows. In accordance with paragraph 3.6 of document GN-2947-26 (second phase), Bank financing for this operation is a blend of the maximum and minimum percentages of nonreimbursable (GRF) and reimbursable (OC) funds. The GRF funds represent 1.6% and the reimbursable funds 98.4% of the OC. The GRF funds will be disbursed pari passu with the OC loan proceeds. This is the first GRF-financed operation in Peru.

<sup>1</sup> Based on information from Invierte.pe, this project is called "Improving ONP's operational or core institutional services, Lima District of the Province of Lima of the Department of Lima."

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, and rationale

- 1.1 **Macroeconomic and social context.** Until 2020, Peru stood out as having a solid economy. From 2014 to 2019, gross domestic product (GDP) grew on average 3.1% annually, driving the poverty rate down to 20.2% by the end of that period [1].<sup>2</sup> This scenario changed in 2020 with the pandemic. The economy contracted 11% with respect to 2019, leading to a decline in social and employment indicators. The poverty rate jumped to 30% [2], and the economically active population that was working decreased by 15% [3]. Although there has been a slight recovery since the end of 2020, economic indicators show uneven results. For example, GDP grew 2.7% in 2022 but once again fell 0.55% in 2023 [4], reflecting the vulnerability of a portion of the Peruvian population, especially informal workers, who represent 80% of the employed and have limited access to social security [5].
- 1.2 **Adults over 65 are a particularly disadvantaged group.** In 2020, adults over 65 represented 8.3% of the population and are projected to grow to 16.6% of the population by 2050 due to demographic changes [6]. This situation is largely due to the limited coverage of Peru's pension system, under which only 20% of this segment of the population has access to a contributory pension, as compared to 40% on average in the region [5]. This reality highlights the urgent need to launch a process to strengthen the system.
- 1.3 **The pension system.**<sup>3</sup> The pension system includes a contributory and non-contributory program. The former, which is known as "Pensión 65," is administered by the Ministry of Development and Social Inclusion and provides cash transfers to adults over 65 who live in extreme poverty. The contributory system is divided into two regimes that coexist and compete: the National Pension System (SNP), which has defined benefits and is administered by the Pension Standardization Office (ONP); and the Private Pension System (SPP), which has defined contributions and is managed by pension fund administrators. Contributions for the SNP and the SPP are, respectively, 13% and 10% of workers' wages. Although they have different structures and rules, both systems cover formal salaried workers, who have 10 days from the date of hire to select one of the systems.
- 1.4 **The pension system faces three main challenges [7].** The first challenge is the system's limited coverage due to high levels of labor informality. Less than 20% of the economically active population contribute to the pension system, which means only one fifth of older adults have a contributory pension [5] [8]. **Furthermore, there are significant gender disparities,**<sup>4</sup> with only 16% of women contributing to the pension system and 21% having access to a contributory pension versus 21% and 38%, respectively, for men [5]. These gaps widen when considering factors like income, education, marital status, dependent relatives, and rural versus urban settings. Evidence suggests that a lack of knowledge about how the pension system works contributes to these disparities, especially in terms of financial

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<sup>2</sup> [Optional link 10](#) contains the bibliography.

<sup>3</sup> For further information on the pension system, see [optional link 6](#).

<sup>4</sup> For further information on gender gaps, see [optional link 5](#).

education, where women show lower levels than men [9] [48]. For example, 24% of women deem that their financial knowledge is very limited (as compared with 18% of men) [10]. Thus, improving women's financial education could close these gaps. Pension system coverage is also limited for the Indigenous population and Afro-Peruvians. Only 19.5% of Indigenous workers and 23.5% of Afro-Peruvian workers are covered by the pension system [11].<sup>5</sup>

- 1.5 The second challenge is the increase in pension expenditures, which will account for a growing proportion of public spending, thus affecting the sustainability of the pension system [7] [8] [12]. According to the Inter-American Development Bank (IDB) [6], without reforms, average pension expenditures are set to rise from approximately 1.4% of GDP to 3.3% between 2020 and 2050. This increase is mainly the result of the impact of demographic changes and the increase in pension spending by the SNP.
- 1.6 The third challenge is the limited institutional structure of the entities that manage pensions. This is especially the case at the ONP,<sup>6</sup> where manual processes are the norm, leading to errors in calculating benefits, delays in processing of benefits, and increases in transactional costs. The ONP also faces operational issues and information gaps, which makes it difficult to monitor results [14]. This situation gives rise to inadequate service delivery to customers.<sup>7</sup> Strengthening ONP's institutional structure is a necessary crosscutting condition, not only to overcome the coverage and institutional structure challenges and enhance the pension system's effectiveness but also to improve how the job market works (paragraph 1.30) and in so doing increase the rate of formality. Evidence shows that the institutional structure of pension systems determine coverage and expected pension outcomes. Building and strengthening institutions is key to expanding the coverage of pension systems [50].
- 1.7 **The recent sudden and large influx of Venezuelans migrants highlights the challenges the pension system faces.**<sup>8</sup> According to the National Migration Superintendency (SNM), by the end of 2023, Peru had welcomed approximately 1.7 million migrants, of whom 86.8% are Venezuelan [13]. In keeping with ONP data, the working-age Venezuelan population numbers around 786,000 people, and the Venezuelan economically active population that is employed totals 601,000 people, of whom only 202,000 (33%) are covered by a pension system—152,000 (75%) under the SPP and 50,000 (25%) under the SNP. These are important figures given the large number of Venezuelan workers who will be left in upcoming years without any protection in their old age.<sup>9</sup> Indeed, 75.3% of Venezuelans employed who are not covered by the pension system plan to stay in Peru permanently, underscoring a potential need for pension fund products adapted to their needs. Furthermore, 30% of these migrants are children and

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<sup>5</sup> This is due to a lack of appropriate working conditions. Only 12.7% of Afro-Peruvians with employment have appropriate working conditions.

<sup>6</sup> This project seeks to strengthen the ONP's institutional infrastructure and does not focus on the non-contributory program or the Private Pension System (SPP).

<sup>7</sup> See the definition of customers in [required link 2](#).

<sup>8</sup> For further information on the migrant population, see [optional link 3](#).

<sup>9</sup> Inclusion of migrants in the pension system helps improve living conditions, employment, and well-being.

teenagers for whom building, through specific programs, a culture of contributing to retirement pensions from a young age is essential [14].

1.8 **ONP importance and challenges.** The ONP is a key actor in the pension system. In addition to ensuring the SNP's proper functioning, it manages other State-run systems and offers workers' compensation insurance. The ONP is a specialized technical public body that reports to the Ministry of the Economy and Finance (MEF). It has legal status under public law, functional, administrative, and financial autonomy, and its own assets. ONP's responsibilities include: (i) eligibility determination, verification, and payment of pensions; and (ii) guidance for its customers. In 2023, it paid pensions to 681,000 older adults and managed the contributions of 4.7 million individuals enrolled (76% of all pensioners and 35% of all enrollees in the contributory system) [13] [14].

1.9 **Vertical logic of the operation.** Figure 1 shows the problems, causes, and solutions identified, as well as the expected results.

Figure 1. Vertical logic diagram of the operation

<b>Problems</b>	<b>Inadequate delivery of ONP's core services to customers nationwide</b>	
	<ul style="list-style-type: none"> <li>▪ Errors in determining benefits.</li> <li>▪ Response times exceed statutory deadlines.</li> <li>▪ Improper payments and overpayments.</li> <li>▪ Limited capacity for detecting fraud.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Limited digital capacity of customers.</li> <li>▪ Low quality of in-person customer service.</li> <li>▪ Low quality of virtual services offered to customers.</li> <li>▪ Lengthy customer service encounters.</li> </ul>
<b>Causes</b>	<b>Low operational efficiency of services</b>	<b>Inadequate interaction with customers</b>
	<ul style="list-style-type: none"> <li>▪ Information systems have limited integration.</li> <li>▪ Information systems are inadequate, causing problems for both the local population and migrants.</li> <li>▪ Limited information processing and storage capacity.</li> <li>▪ Information technology infrastructure has performance issues.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Digital services are not aimed at enhancing the customer experience.</li> <li>▪ Customer service channels face limitations in terms of assisting local and migrant populations.</li> <li>▪ Limited capacity to develop policies to increase coverage.</li> <li>▪ Limited scope of initiatives to develop a culture of contributing to retirement pensions.</li> </ul>
<b>Solutions</b>	<b>Achieve proper delivery of ONP's core services to customers nationwide</b>	
	<b>Improve operational efficiency of services</b>	<b>Improve interaction with ONP customers</b>
	<ul style="list-style-type: none"> <li>▪ Integrating customers' pension information.</li> <li>▪ Implementing a new integrated core information system.</li> <li>▪ Enhancing information processing and storage capacity.</li> <li>▪ Purchasing equipment to improve information technology infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strengthening customers' digital capacities.</li> <li>▪ Improving customer service channels.</li> <li>▪ Implementing voluntary mechanisms for enrollment and contributions.</li> <li>▪ Boosting customers' culture of contributing to retirement pensions.</li> </ul>
<b>Expected results</b>	<ul style="list-style-type: none"> <li>▪ Reduce the average service time to determine pension eligibility entitlement and other claims.</li> <li>▪ Increase pension-benefit and other claims determined within the statutory deadline.</li> <li>▪ Increase the number of digital services for migrants that exchange information with the National Migration Superintendency (SNM).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increase the percentage of customer service encounters provided through digital channels.</li> <li>▪ Reduce the average service time to address complaints.</li> <li>▪ Increase the number of new Venezuelan migrants that enroll in the SNP.</li> <li>▪ Increase the number of Venezuelan migrants who access new services that the ONP delivers.</li> </ul>

1.10 **Problem.** Although the ONP has made progress with respect to customer service, it still faces significant challenges. The main problem is **the inadequate delivery of its core services to customers nationwide**, evidenced by errors in determining benefits and in response times [15]. Between 2019 and July 2023,



improper payments and overpayments of some US\$10 million were made annually. What is more, the work history of approximately 2 million enrollees with contributions prior to June 1999 are not in a digital format, which facilitates identity theft and falsification of data when determining pension eligibility entitlement. The average time to determine pension eligibility entitlement is 52 days, which exceeds the 30-day statutory deadline [14]; indeed, only 69% of pension claims are determined within the deadline provided for by law. These delays undermine trust in the institution and create temporary income flow problems for applicants. There are also customer service issues. Fewer than 1% of ONP services are delivered via digital channels, and the average response time for complaints is 50 days, in excess of the 30-day legal requirement.

- 1.11 These problems are related to: (1) low operational efficiency of services; and (2) inadequate interaction with customers.

**1. Low operational efficiency of services**

- 1.12 **Pension information systems are not integrated.** Customers' pension information is held in different databases, with the period prior to June 1999 being critical, as work histories from this period are in a paper format in "spreadsheet logs."<sup>10</sup> There are an estimated 305,000 spreadsheet logs, of which 78% are not digitized and 96% are in fair or bad condition [14]. This situation entails a risk of lost information and errors in recognizing benefits, and it draws out pension processing times. What is more, over 90% of the databases lack manufacturers' support, which increases the vulnerability of the information.
- 1.13 **The ONP lacks an integrated information system.** There are over 100 systems and applications that have been developed in an isolated manner, creating integration, functionality, and data redundancy problems. What is more, there are over 40 databases in different search engines, which complicates maintenance, restricts interoperability with other entities such as the National Identification and Vital Statistics Registry (RENIEC) and the SNM [14], and hampers crosschecking information with sources. Additionally, **core processes have low levels of automation.** Of 103 critical processes, 34% lack any kind of automation and 65% are partially automated [14]. These limitations hinder support of operational management and create problems of inconsistencies in approving benefits for local and migrant populations.
- 1.14 **The technology platform has high levels of obsolescence.** Over 80% of the information systems, 90% of the databases, and 40% of the programming languages are obsolete [14]. This obsolescence gives rise to operational costs and impacts integration with other systems. It also increases the likelihood of operational errors, impedes application scalability, creates problems for integration, interoperability, security, and information transmission.
- 1.15 **All information processing, storage, and security equipment is outsourced.** Over 90% of the technology platform maintenance and enhancement activities are outsourced and badly managed [14], hindering operational oversight and increasing the risk of losing internal know-how. Although outsourcing contracts ensure that the platform works, updates or new ONP business rules are not

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<sup>10</sup> The "spreadsheet logs" have information about the employment relationship between workers and businesses.

included, limiting development of new functionalities, creating budgetary dependence, and promoting reliance on manual processes.

- 1.16 **The high level of outsourcing underscores the need to strengthen the technology management capacity of personnel.** Skills are needed to implement strategies for change, facilitate execution of core processes, and use support tools. For example, incorporating training plans for the Information Technology Office (OTI) teams is vital in order to implement automation processes effectively.
- 1.17 **The ONP lacks tools for cybersecurity and information technology security.** The security of safeguarded data is at risk inasmuch as there is no security operations center for managing cybersecurity incidents. Furthermore, 37% of core equipment lack manufacturers' support, increasing the risk of vulnerability to computer viruses [14].
- 1.18 **The information technology infrastructure has performance, security, and compatibility issues.** The information technology infrastructure consists of 2,986 pieces of equipment (computers, tablets, scanners, and printers), the majority of which is past its useful life, thus giving rise to performance and response capacity issues. Furthermore, the lack of technical support and updates to the equipment entails a risk for information security and data integrity. This situation necessitates an overhaul of the information technology infrastructure to ensure optimal performance, data security, and operational efficiency.
- 1.19 **The ONP's low operational efficiency represents a challenge in the short term.** A solid institutional infrastructure is a decisive pillar and prerequisite for improving the pension system's effectiveness. Empirical evidence suggests that addressing this problem can increase public trust, foster participation in the pension system, reduce administrative costs, and improve the population's well-being. Digital transformation and simplification of procedures can help target beneficiaries, reduce errors in calculating benefits, and offer better services, both in-person and virtual, which in turn reduces transactional costs [15] [16] [17] [18] [19] [20]. For this reason, pension institutions in other countries like Spain and Holland have invested in digital transformation processes to improve their management [8] [21] [22] [23] [24].

## **2. Inadequate interaction with customers**

- 1.20 **Customers' limited digital capacity can be a constraint on accessing the virtual services offered by the ONP [25] [26].** Between 2020 and 2023, 15,000 virtual claims were rejected due to customer errors in the registration process. Furthermore, in 2022, 83.4% of customers preferred to use in-person channels instead of virtual ones to receive advice [14]. This situation impedes access to online services and entails additional costs associated with in-person management of services [43].
- 1.21 **The problem of limited digital capacity is exacerbated even more when differentiating by gender or diverse populations.** One study indicates 53% of Peruvian women do not know how to use the Internet, compared with 44% of men [27]. Furthermore, only 8.5% of women use internet to interact with government institutions, a figure that decreases even further for persons with disabilities, dropping to 6.7%. The IDB (2017) points out that Peru has a significant gap in the use of digital channels, where 32% of digital users are women, while 68% are men [10]. This means women use digital channels less. To encourage

use of digital platforms, users, especially women, need to be sufficiently trained. Although information is not available on diverse groups' digital capacity, Indigenous people and Afro-Peruvians are known to have limited access to the Internet, and culturally relevant content, such as content in Indigenous languages, is scarce.

- 1.22 **Digital customer service channels are not aimed at improving the customer experience.** Although ONP provides services in-person through its 141 offices nationwide, as well as digitally through its webpage, ONP Virtual, and mobile phone apps, 60% of customers said they went in person due to limitations as regards digital channels [14]. For example, the “ONP Móvil” app only allows for simple queries and procedures, the webpage lacks relevant content and adaptation for mobile devices, and the “Tu Zona Segura” application is limited to queries and data registration. These limitations translate into transactional costs both for customers and for the ONP [43].
- 1.23 **In-person channels have shortcomings in terms of customer service.** A total of 56% of customers expressed medium to low satisfaction regarding in-person channels, and on average customers stated they would not recommend in-person customer service [14]. Their dissatisfaction is due in part to the absence of a line management system that provides information in a systematized manner in order to decrease wait times. In addition, there is no centralized customer relationship management system, which hampers the availability of quality and timely information about customers, affecting accessibility and inclusion in customer care channels, especially for vulnerable groups like migrants, women, persons with disabilities, Indigenous people, and Afro-Peruvians.
- 1.24 **Difficulties in reaching potential populations that cannot access traditional customer service channels.** There are no procedures or standards that ensure accessibility and inclusion for all customers, such as women, persons with disabilities, Indigenous people, Afro-Peruvians, and migrants. For example, informative brochures in Indigenous languages are not provided, adapted spaces do not exist for persons with disabilities, nor are there suitable mechanisms for persons with visual impairments. This shortcoming limits access and equitable participation of these groups in ONP services.
- 1.25 **A limited capacity for developing policies aimed at increasing coverage.** Although the Institutional Strategic Plan 2023-2026 of the ONP seeks to broaden the SNP contributory coverage, only 26% of the SNP enrollees make regular contributions. This situation is critical and underscores the concern that only a small percentage of the Peruvian population is saving for their old age [30]. There is evidence that implementing voluntary enrollment and contribution mechanisms may be an option that could increase participation of groups that are traditionally marginalized from the pension system, such as informal workers and women. The Bank has explored options (2019) to bolster voluntary savings, including the use of technological and behavioral economic tools [31].
- 1.26 **Effectiveness of policies to increase enrollment in the pension system must take into account gender differences.** The Superintendency of Banking, Insurance, and Pension Fund Management Institutions (2019) indicates that a greater proportion of men save voluntarily in comparison with women (74% versus 59%) [32]. Different studies have highlighted that women tend to be more averse to risk than men; they have lower levels of financial education and respond

differently to information presented to them [33] [34]. These disparities highlight the importance of differentiating by gender the interventions that are aimed at increasing pension system coverage, ensuring that policies are inclusive and equitable for all groups.

- 1.27 **These shortcomings are even more significant when considering the migrant population.** Studies indicate that the migrant population faces greater obstacles to access the pension system than Peruvians [35] [36], including for those who have regular migratory status. For Venezuelan migrants, these obstacles include legal issues, lack of data, discriminatory practices, cultural barriers, and an absence of supporting documents [37]. These difficulties stress the need to address in a differentiated manner the challenges that migrants face in accessing the pension system and enrollment mechanisms ([optional link 3](#)), which the activities of Component 2 seek to address.
- 1.28 **These interventions should be accompanied by initiatives to promote a culture among users of contributing to a pension.** Although the ONP includes among its services the promotion of a culture of contributing to retirement pensions, its scope is extremely limited. In 2023, only 120,000 individuals participated in these activities. These figures indicate the need to strengthen strategies that promote a culture of contributing to a pension in order to create greater awareness about the importance of saving for retirement.
- 1.29 **Rationale.** The government of Peru is aware of the ONP's situation, as well as its importance within the pension system. For this reason, it has requested Bank support through an investment loan accompanied by nonreimbursable funds to strengthen ONP's institutional structure. The request is warranted because strengthening pension institutions is vital to addressing the crosscutting challenges of Peru's pension system in which the ONP plays a fundamental role. Furthermore, strengthening the ONP will enable it to be better prepared for the pension system reform recently approved by Congress.<sup>11</sup> This reform introduces changes both in the SPP as well as the SNP and underscores the need to bolster the ONP given the assignment of new responsibilities with respect to issues like management of the non-contributory pillar, coverage, and contribution management.<sup>12</sup> This request for financial support aligns with the Multiyear Sector Strategic Plan 2017-2026 of the Economic and Financial Sector, in addition to the ONP's Institutional Strategic Plan 2023-2026 [38], which seeks to improve efficiency in the delivery of pension fund services, including for women, migrants, and persons with disabilities.
- 1.30 **Programmatic vision.** The Bank is developing a comprehensive vision in Peru to improve the labor market and the social security system, based on the life cycle. Reforms and actions are being promoted and financed in three key areas. First, access to formal employment is being facilitated, in particular for persons that face major obstacles (including women, young people, and persons with disabilities) through the strengthening of major labor market policies in effect. To this end, there are the reforms considered in the program to improve social policies ([5267/OC-PE](#)), in addition to the activities of the program aimed at strengthening the employment center ([3547/OC-PE](#)). Additionally, support has been provided to digitize the

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<sup>11</sup> The Law to Modernize the Peruvian Pension System was approved by Congress on 22 August 2024, and is currently pending congressional review.

<sup>12</sup> For further information about the pension system reform, see [optional link 6](#).

- Superintendency of Employment Oversight ([ATN/OC-17684-PE](#)). Second, successful work apprenticeship pathways are being ensured through the improvement of work readiness and higher education training policies. By way of example, there are the higher education reforms considered in the program to improve labor productivity ([4714/OC-PE](#)) and the development of pilot sector skills councils and a national qualifications framework ([ATN/CN-16432-PE](#)). Third, access is being ensured to an appropriate and sustainable social security system with a comprehensive medium-term vision. For example, the Bank has provided support to design policies geared toward improving social security access ([ATN/OC-20477-PE](#)). The project at hand is part of the latter inasmuch as it will support efforts to improve the way in which the pension system works with a medium-term vision and focus on strengthening one of its main institutions—the ONP—by implementing actions that address the challenges related to coverage (and its impact on formality) and sustainability.<sup>13</sup>
- 1.31 **Lessons learned.** The Bank has extensive knowledge and experience in the design and supervision of projects to strengthen pension systems and their institutions ([optional link 11](#)).
- 1.32 In terms of knowledge, the project has benefited from the Bank's support in: (i) preparing an analysis of the current status of the Peruvian pension system [42]; and (ii) lessons generated by three regional technical cooperations (TCs): two of them ([ATN/OC-19780-RG](#) and [ATN/OC-16485-RG](#)) provide lessons on improving the institutional enhancement and digital transformation of pension institutions, incorporated in Component 1; and another ([ATN/ME-15065-RG](#)) provides evidence on mechanisms for fostering retirement pension savings based on behavioral economics, reflected in Component 2.
- 1.33 In operational terms, programs [1882/OC-CH](#), [2109/OC-UR](#), [ATN/KK-20725-PE](#), [5834/OC-PE](#) show the importance of strengthening core services and promoting efficient benefits management in order to improve the way in which the pension system works. Component 1 incorporate activities that improve operational efficiency, reduce benefits processing times, and utilize secondary information sources to properly target services to beneficiaries. Programs [4542/OC-ES](#), [5592/OC-ME](#), and [5827/OC-BA](#) point up the importance of strengthening the institutional framework of the pension system to achieve long-term sustainability. Component 1 also includes activities to build a comprehensive work history database to reduce pension calculation errors and strengthen system sustainability. The program draws on lessons learned from [5170/OC-CO](#) on the importance of having mechanisms in place to facilitate migrants' access to the social protection system.
- 1.34 Component 2 includes activities to: (i) improve and diversify customer service channels in order to facilitate online procedures ([5834/OC-PE](#), [ATN/OC-20477-PE](#)); (ii) improve customer service channels for migrants in order to offer greater accessibility to social services ([GRT/CN-19930-PE](#)); and (iii) implement a digital literacy strategy for women ([5579/OC-BR](#); [5501/OC-PN](#)); and improve services for

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<sup>13</sup> The project is aligned with the IDB's focus on digitalization and the digital agenda inasmuch as it includes activities for the integration and interoperability of systems, introduces new technology tools, considers cybersecurity risks, and strengthens cybersecurity through the implementation of a security operations center.

- citizens, taking into account gender considerations ([4399/OC-PE](#)). These services have demonstrated the importance of the digitalization and automation of procedures for improving delivery of services to customers. Component 2 incorporates activities to improve and diversify customer service channels and enable online processing.
- 1.35 **Complementarity with other IDB operations.** This program complements projects in execution in Peru to: (i) broaden citizen access to digital services with gender equity and diversity ([5834/OC-PE](#)); (ii) support digital infrastructure strengthening ([ATN/KK-20725-PE](#)); (iii) bolster capacity to provide migration services ([ATN/OC-20699-PE](#)); (iv) promote migrant populations' access to social services ([GRT/CN-19930-PE](#)); and (v) strengthen institutional capacity of the public sector to improve the responsiveness of migration services ([ATN/OC-19348-PE](#)).
- 1.36 **Synergies of the IDB Group.** The project draws on lessons learned in the IDB Digital Social Security Lab, which together with the IDB Lab, explores cost-effective solutions for increasing social security coverage for self-employed workers, including the experience of Peru.<sup>14</sup> Coordinating with the IDB Lab will be explored through a project that seeks to facilitate financial inclusion of vulnerable men and women in the region, including with Peru ([ATN/CF-20852-RG](#)).
- 1.37 **Strategic alignment.** The program is consistent with the IDB Group's Institutional Strategy: Transforming for Greater Impact and Scale (CA-631) and is aligned with the objective of: (i) reducing poverty and inequality by enhancing access to and quality of social services, such as pensions and social security, including for the local population, migrants, persons with disabilities, Indigenous people, and Afro-Peruvians. The program is further aligned with the following operational focus areas: (i) biodiversity, natural capital, and climate action; (ii) gender equality and diversity; (iii) institutional capacity, rule of law, and citizen security; and (iv) social protection and human capital development.
- 1.38 The project aligns with the IDB Country Strategy with Peru 2022-2026 ([GN-3110-1](#)) by contributing to strategic objective 1.1 "support formal job placement and labor market productivity" and 3.1 "boost the effectiveness and institutional structure of public administration." It is consistent with the Migration Action Framework ([GN-3021](#)); the Gender Perspective Employment Action Framework ([GN-3057](#)); the Climate Change Action Plan ([GN-2848-9](#)); as well as with the sector framework documents for: Labor ([GN-2741-12](#)); Gender and Diversity ([GN-2800-13](#)); and Climate Change ([GN-2835-13](#)).
- 1.39 **Gender equality and inclusion of diverse groups.** The program, centered on modernizing services for customers, will improve interaction with customers by closing the digital capacity gaps of women, persons with disabilities, Afro-Peruvians, and Indigenous people (paragraph 1.46). Additionally, the program is linked to the priority thematic area of the IDB Group Gender and Diversity Action Plan 2022-2025 ([GN-3116-1](#)): improving human capital ([optional link 5](#)).
- 1.40 **Alignment with the Paris Agreement.** This operation, which has been reviewed using the [Joint MDB Assessment Framework for Paris Alignment](#) and the IDB Group Paris Alignment Implementation Approach ([GN-3142-1](#)), has been

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<sup>14</sup> The factors that determine low levels of formality among the self-employed are evaluated, along with actions these workers should undertake to access social security.

deemed to be aligned with: (i) the Paris Agreement adaptation goal; and (ii) the Paris Agreement mitigation goal based on a specific analysis. Alignment was based on consideration of the following aspects: (i) in accordance with the Project Operating Regulations, the investment in equipment for the data center will comply with [Energy Star](#) energy efficiency criteria; (ii) refrigeration systems that use hydrofluorocarbons will not be funded; and (iii) the solutions selected have been deemed consistent with Peru's nationally determined contributions and such solutions do not constitute a committed emissions or transition risk ([optional link 4](#)).

- 1.41 **Climate financing.** The total amount of the operation is US\$80,839,751, of which IDB funding is US\$60,000,000. Based on the elements considered above, climate financing for the program is estimated at US\$7,323,685, which corresponds to 12.21% of the proceeds provided by the IDB to finance the operation. These proceeds will be used to procure equipment to improve the information technology infrastructure that will have an Energy Star 75 or better energy efficiency label. The investment contributes to the IDB Group's target of allocating up to 30% of its financing for climate-related projects ([optional link 4](#)).

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

- 1.42 **Objectives.** The general objective of the program is to achieve proper delivery of the core services of the Pension Standardization Office (ONP) to customers nationwide. The specific objectives are: (i) to improve operational efficiency of services;<sup>15</sup> and (ii) to improve interaction with ONP customers. The components are:

- 1.43 **Component 1: Improve operational efficiency of services (US\$68.58 million: IDB/OC, US\$57.93 million; IDB/GRF, US\$0.59 million; and local contribution, US\$10.05 million).**<sup>16</sup> This component seeks to strengthen operational management and consolidate information systems. It will finance:

- (a) the integration of customers' pension information, which will include: (i) the implementation of a comprehensive work history database for ONP customers; and (ii) the digitalization of information on contributions prior to June 1999 (...);
- (b) the implementation of a new integrated core information system, which will include the Integrated Pension Information System (SIIP);
- (c) enhancement of processing and storage capacity, which will include implementation of core software and infrastructure (hybrid technologies: cloud, physical data center, and alternate data center),<sup>17</sup> such as: (i) procurement of information technology security and cybersecurity solutions; and (ii) implementation of a security operations center dedicated to managing cybersecurity incidents; and
- (d) enhancement of information technology infrastructure, which will include the procurement of equipment.

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<sup>15</sup> Efficiency is when objectives are met using as few resources as possible.

<sup>16</sup> For further details about Component 1 and the Integrated Pension Information System (SIIP), see [optional link 8](#).

<sup>17</sup> The Data Center will remain at ONP headquarters in Lima and will have an area of 150 m<sup>2</sup>.

- 1.44 Activity (b) indicated in paragraph 1.43 above will include the following macrosystems:
- i. Main systems: Implementation of 15 core macroprocesses that support and improve the efficiency of the ONP's main activities, including: advice, insurance, validation, collection, benefits, assistance, advocacy, oversight, and process management.
  - ii. Digital services: Implementation of 17 components aimed at facilitating customers' access to information and tools through digital services, including services for the migrant population, such as a virtual classroom to promote a retirement pension culture.
  - iii. Support systems: Implementation of modules that back the main systems. These modules will provide essential functions, such as document management, procedural matters, and sustainability of the SNP.
  - iv. Strategic systems: Implementation of a module that formulates, monitors, and evaluates management indicators.
  - v. Crosscutting components: Implementation of modules to support the ONP's systems and applications, including: (i) digital file management; (ii) mechanisms for interoperability with other institutions (RENIEC, SNM, Bank of the Nation, MEF, among others). This component will include the transfer of information and development of new gateways for payment and collection of pension contributions by the local population and migrants; and (iii) omnichannel outreach, for the use of multiple communication channels and points of contact to interact with customers in a comprehensive and consistent manner.
  - vi. Data analysis modules: Implementation of management and performance indicator data analysis tools.
- 1.45 The SIIP will follow general guidelines for universal accessibility for persons with disabilities on digital channels [46] [47]. The implementation of the SIIP will require the purchase of licenses to support the information technology operability, development of digital governance capacities, and management of ONP personnel change.
- 1.46 **Component 2: Improve interaction with ONP customers (US\$2.15 million: IDB/OC, US\$0.59 million; IDB/GRF, US\$0.4 million; and local contribution, US\$1.14 million).**<sup>18</sup> This component seeks to strengthen demand for services, improving interaction with current and potential customers.<sup>19</sup> It will provide financing for:
- a. Efforts to raise awareness among ONP customers about digital technology use with a gender and diverse group perspective,<sup>20</sup> including developing content (digital modules, teaching materials, among others) and the implementation of awareness-raising activities that enable customers nationwide to access digital

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<sup>18</sup> Although the operation will focus on the Venezuelan population, which represents the largest flow of migration into the country, under the program "Asegura tu futuro, chamo," people of other nationalities residing in the country will not be excluded. Results will be monitored for all migrants benefiting from the project, not just Venezuelan migrants.

<sup>19</sup> For further details on Component 2, see [optional link 9](#).

<sup>20</sup> Diverse groups include persons with disabilities, Indigenous people, and Afro-Peruvians ([optional link 5](#)).



services provided by ONP with greater ease, prioritizing the specific needs of women, persons with disabilities, and Indigenous and Afro-Peruvian populations. This includes, for example, preparation of materials in Indigenous languages (see [optional link 5](#)).

- b. Improvement of ONP customer service channels so they are inclusive and accessible to a wide range of customers, with consideration of their general needs, as well as the specific needs of women, persons with disabilities, Indigenous persons, Afro-Peruvians, and migrants. This includes: (i) equipment to implement a new service model for in-person customer service centers, with a gender and diverse group perspective;<sup>21</sup> (ii) equipment for organizing fairs aimed at providing essential services to migrants; (iii) implementation of a communication plan through customer service channels for the local and migrant populations; and (iv) procurement of mobile units for itinerant services that enable service delivery to customers that reside in neglected areas, with an emphasis on the migrant population.
- c. Improvement of enrollment and voluntary contribution mechanisms through the development of procedures whose objective is to increase pension-fund coverage and increase the number of people who make voluntary contributions to the SNP, with a gender perspective<sup>22</sup> and emphasis on the migrant population.
- d. Development of a culture of contributing to retirement pensions among ONP customers, with a gender perspective and emphasis on the migrant population, through creation of new methodologies and contents to promote this culture, including among Afro-Peruvians and Indigenous people.<sup>23</sup>

**1.47 Project management and other contingent expenses (US\$10.1 million: IDB/OC US\$1.5 million and local contribution US\$8.6 million).** Proceeds from the loan will be used to finance the personnel staffing the project execution unit to support comprehensive project management. Furthermore, the local contribution will fund activities to prepare “equivalent documents,”<sup>24</sup> supervision,<sup>25</sup> project closing,<sup>26</sup> and concurrent oversight.<sup>27</sup>

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<sup>21</sup> 14 Customer Service Centers will be implemented, one of which will be in an area with a large Indigenous and/or Afro-Peruvian presence (see [optional link 5](#)). These Centers will incorporate the use of customer relationship management tools (customer relationship management, line management, and virtual assistance) developed as part of Component 1.

<sup>22</sup> One of the procedures will have the objective of increasing women’s pension coverage.

<sup>23</sup> One campaign will be aimed at women, and another will be aimed at Indigenous people and Afro-Peruvians.

<sup>24</sup> Equivalent documents are technical documents that provide detailed specifications on the scope, cost, and timeline of the actions under the investment project in the execution phase of the National System for Multiyear Programming and Management of Investments; they are necessary for physical execution of actions under the investment project.

<sup>25</sup> This means overseeing the execution of actions under the investment project within parameters of quality, price, timeline, and contractual obligations, as well as responding to consultations by the consultants or firms hired to execute such actions.

<sup>26</sup> This means documenting the physical culmination of all actions under the investment project that enable the objective to be achieved.

<sup>27</sup> In addition to supervision activities, concurrent oversight monitors project progress, detects departures, and proposes course corrections.

1.48 **Beneficiaries.** The project beneficiaries are persons that currently receive services from ONP (4.7 million enrollees and 711,000 pensioners), beneficiaries of other pensions systems that may use ONP services (185,000 people), persons with disabilities (approximately 320,000 people),<sup>28</sup> and the population between 6 and 13 years of age who will learn about a culture of contributing to retirement pensions (60,000 people) [11]. Additionally, there is the migrant population that may request some services from the ONP (approximately 207,000 people). The main users of the project will be all the ONP government employees, who will benefit from improved operational efficiency of services.

### C. Key results indicators

1.49 **Expected results.** Results associated with the general objective are: reduce the number of improper provisional pension payments and increase the number of enrollees with contributions prior to July 1999 who have a reported work history. The results associated with specific objective 1 are: reduce the average service time to determine pension eligibility entitlement and other claims, increase the percentage of pension-benefit and other claims determined within the statutory deadline, and increase the number of digital services for Venezuelan migrants that exchange information with the SNM. The results associated with specific objective 2 are to: increase the percentage of customer service encounters that are provided through digital channels, decrease the average service time to address complaints, increase the number of Venezuelan migrants who enroll in the SNP, and increase the number of Venezuelan migrants who access new services provided by the ONP.

1.50 **Economic analysis.** An ex ante cost-benefit analysis of the project was conducted to study its economic feasibility. For a 10-year horizon, the net present value (NPV), calculated with a 12% discount rate, totals US\$14,938,953. The internal rate of return is positive, at 15.87%. A sensitivity analysis based on the variation of the parameters used to estimate the costs and benefits confirmed that despite the presence of five critical variables,<sup>29</sup> NPV remained positive in all the situations considered ([optional link 1](#)).

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

2.1 **Scale and instrument of the operation.** The total amount of the operation will be up to US\$80,839,751, of which: (i) up to US\$60,000,000 will be financed with resources from the Bank's Ordinary Capital (OC) through an investment loan; (ii) up to US\$1,000,000 will be financed with resources from the IDB Grant Facility to Support Countries with Large and Sudden Intraregional Migration Inflows (GRF) through nonreimbursable financing (paragraphs 2.4, 2.5, and 2.6); and (iii) US\$19,839,751 will come from the local contribution. This operation will be an investment loan under the loan for specific projects modality given that it has a

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<sup>28</sup> Estimates consider the percentage of those enrolled at the ONP (34% of everyone enrolled in the pension system). For migrants, estimates considered 601,000 migrants who are working. For persons with disabilities, estimates considered a total of 1.8 million, 53% who are older adults [44] [45].

<sup>29</sup> Critical variables are understood as those whose potential changes explain a significant variability in the results of return indicators used in the economic analysis.

limited scope, logically interdependent components, and physical and technical individuality, and its preliminary cost and design have already been defined. The loan and nonreimbursable financing will have a five-year disbursement period.<sup>30</sup>

2.2 The distribution of costs is summarized in the table below:

**Table 1. Estimated costs of the program (US\$)<sup>31</sup>**

Components	IDB (OC)	Local contribution	IDB (GRF) <sup>32</sup>	Total	%
<b>Component 1. Improve operational efficiency of services</b>	<b>57,939,855.50</b>	<b>10,053,981.01</b>	<b>591,074.64</b>	<b>68,584,911.15</b>	<b>84.8</b>
1.1 Integrate customers' pension information	8,634,876.97	2,158,719.24	-	10,793,596.21	
1.2 Analyze, design, develop, and implement the SIIP	11,232,368.18	2,808,092.04	591,074.64	14,631,534.86	
1.3 Improve data processing and storage capacity	30,927,839.16	3,300,976.93	-	34,228,816.09	
1.4 Improve information technology infrastructure	7,144,771.19	1,786,192.80	-	8,930,963.99	
<b>Component 2. Improve interaction with ONP customers</b>	<b>594,371.42</b>	<b>1,148,592.85</b>	<b>408,925.36</b>	<b>2,151,889.63</b>	<b>2.7</b>
2.1 Educate ONP customers about using digital technology	206,386.57	51,596.64	-	257,983.21	
2.2 Improve ONP customer service channels	224,495.19	1,056,123.80	214,784.21	1,495,403.20	
2.3 Bolster pension enrollment and contribution mechanisms	71,982.24	17,995.56	194,141.15	284,118.95	
2.4 Enhance ONP customers' culture of contributing to retirement pensions	91,507.42	22,876.85	-	114,384.27	
<b>Administration and other costs</b>	<b>1,465,773.08</b>	<b>8,637,177.56</b>	<b>-</b>	<b>10,102,950.64</b>	<b>12.5</b>
3.1 Project management	1,465,773.08	4,818,777.80	-	6,284,550.88	
3.2 Equivalent document	-	1,208,250.93	-	1,208,250.93	
3.3 Other costs	-	2,610,148.83	-	2,610,148.83	
<b>Total</b>	<b>60,000,000.00</b>	<b>19,839,751.42</b>	<b>1,000,000.00</b>	<b>80,839,751.42</b>	<b>100</b>

<sup>30</sup> The scale of the project is justified by the magnitude of the investments and the studies conducted by the ONP in conjunction with the IDB in the framework of the investment project.

<sup>31</sup> The costs according to main activity are indicative.

<sup>32</sup> Through the grant agreement.

- 2.3 According to the detailed analysis of the multiyear execution plan, a five-year disbursement period is estimated, in accordance with the following schedule.

**Table 2: Disbursement schedule (US\$)**

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB (OC)	155,891.44	9,934,536.48	8,129,857.07	28,062,959.91	13,716,755.12	60,000,000.00
Local	791,081.62	4,433,021.38	3,650,995.37	6,500,523.14	4,464,129.91	19,839,751.42
IDB (GRF)	-	77,534.09	283,153.67	478,286.18	161,026.04	1,000,000.00
<b>Total</b>	<b>946,973.06</b>	<b>14,445,091.95</b>	<b>12,064,006.11</b>	<b>35,041,769.23</b>	<b>18,341,911.07</b>	<b>80,839,751.42</b>
<b>%</b>	<b>1.2%</b>	<b>17.9%</b>	<b>14.9%</b>	<b>43.3%</b>	<b>22.7%</b>	<b>100%</b>

- 2.4 **Additionality of nonreimbursable resources.** The unprecedented migratory flows are a new challenge for Latin American and Caribbean countries and have potentially detrimental effects on host communities if flows are not addressed appropriately. To tackle these exceptional circumstances, the IDB Board of Governors approved up to US\$100 million in funds from OC available through the GRF to support countries with large and sudden intraregional migration inflows (AB-3332, GN-2947-26). This use of the GRF aims to help countries design appropriate interventions so that migrants and their host communities may access social and basic services, and to provide them economic opportunities, benefiting both groups with a view to fostering inclusive development and a positive relationship. In this case, the intervention consists of second-generation services, i.e., pension services, considering that a significant number of migrants wish to remain in Peru.

- 2.5 **Compliance with eligibility criteria of the GRF for migration-related projects.** The analysis of compliance with the eligibility criteria set forth in the Operational Guidelines for the Use of Resources from the IDB Grant Facility to Support Countries with Large and Sudden Intraregional Migration Flows (GN-2947-26) is detailed in [optional link 3](#) and is summarized here as follows: (i) the Republic of Peru is eligible given that it is hosting a intraregional immigrant population that is equivalent to 0.5% or more of its population and that was accumulated over a period of three consecutive years as the result of flows (permanence criterion);<sup>33</sup> (ii) the operation identifies the scale of the problem inasmuch as there are specific challenges that migrants face for effective integration in the pension system; (iii) the operation is congruent with the four thematic areas and crosscutting issues set out in paragraphs 3.7 and 3.8 of document AB-3332 in that it will seek a model of efficient management and enhancement of technological efficiency to improve service delivery for customers, including migrants and promotion and access to ONP services for migrants; (iv) the operation's beneficiaries are Venezuelan migrants (paragraph 1.48); and (v) the operation is considered in Peru's programming for 2024. The results matrix of the operation reflects exact and measurable indicators that help ensure direct benefits for migrants.

- 2.6 This operation combines US\$60 million in OC, which accounts for 98.4% of the operation's funding, and US\$1 million of GRF resources, which constitutes 1.6%

<sup>33</sup> See paragraph 3.2 of the Operational Guidelines (GN-2947-26) and paragraph 3.2 of document GN-2947-30.

of the OC reimbursable funding for the operation. This percentage is within the reimbursable and nonreimbursable ratios provided in paragraph 3.14 of document AB-3332 and paragraph 3.6 of the Operational Guidelines (GN-2947-26).

**B. Environmental and social risks**

- 2.7 In accordance with the Environmental and Social Policy Framework (GN-2965-23), this project is classified as a category “C” operation since it is expected to have minimal or no adverse environmental or social impacts. Environmental and Social Performance Standards 1, 2, and 10 apply ([required link 3](#)).

**C. Fiduciary risks**

- 2.8 High fiduciary risks were identified as follows: (i) should professionals at the ONP contracting office lack experience in applying Bank procurement procedures and policies, contracting reprocessing and execution delays may result. To mitigate this risk, hiring a procurement specialist to join the project execution unit is proposed. The specialist should have knowledge and experience in applying Bank procurement policies and will prepare and disseminate Project Operating Regulations that provide for governance, planning, and procurements; and (ii) should professionals at the ONP financial office lack experience in applying Bank procedures and policies for project financial management, accounting and financial oversight of the execution of project resources during the first year of execution may be inadequate. To mitigate this risk, hiring a financial specialist to join the project execution unit is proposed. The specialist should have knowledge and experience in applying Bank financial management policies and will prepare, adopt, and disseminate Project Operating Regulations that provide for governance, institutional, operational, and financial planning, and reporting on financial information and results.

**D. Other key issues and risks**

- 2.9 Five medium-high risks have been identified: (i) Human resources: should ONP personnel have difficulties with managing change, ONP senior leadership and core personnel may lack commitment to implementation of the project, which could lead to delays in the execution of project resources and/or partial nonfulfillment of objectives and results. To mitigate this risk, an awareness-raising process highlighting the benefits of the intervention will be undertaken with ONP personnel, in addition to buy-in and change and knowledge management activities (paragraph 1.45); (ii) Political: should the change in government expected for 2026 diminish authorities’ level of commitment to the project, it could lead to delays in the execution of project resources and/or partial nonfulfillment of objectives and results. To mitigate this risk, roll-out of a project outreach strategy and a plan to expedite contracting for the project’s critical path are envisaged prior to the change in government, in addition to providing technical assistance during the handover process; (iii) Legal: should the pension system reform that is currently pending approval by the executive branch introduce changes in ONP functions and responsibilities, it could lead to difficulties and delays in project implementation. To mitigate this risk, project institutionalization is envisaged for the first year, with the creation of indicators that reflect the project’s expected results and enable its continuity, as well as the preparation of an action plan on the impact of the ONP reform; (iv) Systems: should the SIIP implementation timeframes exceed the expected deadline, delays in integrating and adapting the various ONP information systems may result, which could affect the critical path for Component 1 and the

- project's implementation timeline. To mitigate this risk, technical assistance to the project coordination unit is envisaged through the establishment of a Component 1 coordination office staffed by information technology specialists; and (v) Systems: should the procurement of information technology security and cybersecurity solutions fall behind due to the lack of specialized services and professionals in the region, delays may result that could affect processes involving the execution of project resources. To mitigate this risk, during execution, work to move forward with contracting will be done in advance by issuing requests for expression of interest.<sup>34</sup>
- 2.10 **Sustainability.** Ninety-two percent of OC funding is aimed at improving operational efficiency of ONP services, including implementation of new operations systems and renewal of the information technology infrastructure. To ensure project sustainability: (i) the project calls for alignment and institutional embedding of investments to be carried out in accordance with government policies; (ii) sustainability of the digital platform will be ensured through management that includes planning, execution, solid architecture, and technological infrastructure; (iii) ONP has signed a letter of commitment with the Planning, Budget, and Management Evaluation Office (OPG) in order to have the necessary funding to ensure project sustainability throughout the horizon of the project's useful life. This includes execution of a maintenance and technology replacement plan and specifies measures to mitigate the risks of technological obsolescence; and (iv) financing will be provided for activities that build capacity for digital government, change management, and enhancement of technological skills, both to ensure the sustainability of the project and to strengthen the role of the ONP within the pension system.
- 2.11 Thus, the project executing agency will commit to adopting the necessary measures for appropriately maintaining equipment funded by the program in keeping with generally accepted technical standards. Additionally, it will present to the Bank, in the first quarter of each calendar year as from the first year funds are disbursed until a year after the loan disbursement period has concluded, an annual maintenance report regarding the condition of the equipment and the annual maintenance plan for that year.
- 2.12 **Scalability.** Along with the actions considered to provide sustainability to the project, the ONP is expected to continue moving forward using its own resources to digitize work histories, exceeding its goal for 2029 of 23% of reported work histories for those enrolled prior to July 1999.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Borrower/beneficiary and executing agency.** The borrower and beneficiary will be the Republic of Peru. The Pension Standardization Office (ONP) will be the executing agency for the project. The ONP, through the project execution unit, will be responsible for executing the project and fulfilling the commitments that the

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<sup>34</sup> During program preparation, a diagnostic assessment of cybersecurity was carried out and included the products and services needed to reduce the risks to implementation of the SIIM.

executing agency is responsible for, as established in the project loan contract and grant funding agreement.

- 3.2 **Project execution unit.** For comprehensive project execution, the executing agency will create a project execution unit that has administrative and financial autonomy, and in organizational terms falls under the ONP Office of General Management. The project execution unit's functions will be specified in the Project Operating Regulations. The project execution unit will be led up by a unit chief, who will be in charge of strategic direction, leadership, and project management oversight. A coordination office for project management, delivery, and quality, under the chief of the project execution unit, will support planning and monitoring of project actions and will include a coordinator, a planning specialist, and a follow-up and monitoring specialist.
- 3.3 For the fiduciary processes and administration of project funding, the project execution unit will have an administrative coordination office, which will include, among others, a coordinator, a procurement specialist, and a financial specialist (in cash management). For budget and investment management, as well as for programming, follow-up, and evaluation, the project execution unit will have a budget and investment coordination office, which will include, among others, a coordinator, a budget specialist, and a public investment specialist. Additionally, for technical execution, the project execution unit will have a Component 1 coordination office staffed by a coordinator and personnel specialized in information technology, and a Component 2 coordination office staffed by a coordinator and personnel specialized in customer service. The project execution unit personnel will be hired in accordance with the terms of reference previously agreed upon with the Bank. They will work full-time on the project in close coordination with ONP technical teams. During the first year of execution, Ordinary Capital resources will be used to hire project execution unit personnel, and in subsequent years, proceeds from the local contribution will be used. The Project Operating Regulations include a detailed description of the project execution unit execution mechanism and structure (paragraph 3.7) ([optional link 2](#)).
- 3.4 **Interagency coordination.** During execution of Component 1, activities will be carried out in coordination with the National Identification and Vital Statistics Registry (RENIEC) and the National Migration Superintendency (SNM), and during Component 2, with the Ministry of Education. The [Project Operating Regulations](#) will describe the mechanisms for institutional coordination between the executing agency and the other Peruvian government entities (paragraph 3.7) ([optional link 2](#)).
- 3.5 **Project management support committee.** To support the project execution unit, within six months from signature of the loan contract, a project management support committee will be established, as a mechanism for strategic guidance, monitoring of execution, and support for project management. The committee will issue opinions on changes to leadership or the core team of the project execution unit. The committee will have the following members: (i) two representatives from the ONP; (ii) one representative from the MEF; and (iii) one representative from the Bank, with voice but without vote. The specific duties and responsibilities of the committee will be set out in the Program Operating Regulations and must have the Bank's no objection. The main purpose of the committee is to: (i) propose strategic guidelines for improving the implementation of projects; (ii) monitor progress in the physical and financial execution of the projects; (iii) keep project teams stable; and

(iv) improve interagency coordination through the committee members (see [Program Operating Regulations](#) for more information).

- 3.6 **Institutional capacity.** The institutional capacity assessment of the executing agency, conducted using the Institutional Capacity Assessment Platform methodology, indicates that the ONP does not have recent experience in executing public investment projects, including projects financed with international cooperation funds. This limitation can translate into difficulties in addressing and overcoming challenges inherent in managing projects of this nature. The project will finance the creation of the project execution unit, which will include, among others, a team that works exclusively on the project full time, which will strengthen the project execution unit as regards fiduciary matters (paragraph 3.2).
- 3.7 **Project Operating Regulations.** Project execution will be governed by the provisions set forth in the loan contract and the grant funding agreement, respectively, as well as by the Project Operating Regulations, which will include, at a minimum: (i) the project organizational structure; (ii) project execution unit functions, including those of the specialized units (unit chief and coordination offices); (iii) internal ONP coordination mechanisms, as well as interagency coordination mechanisms; and (iv) agreements and guidelines for processes of planning and programming, execution and investment, procurement and financial management, as well as project monitoring and evaluation. Annexes to the Project Operating Regulations will include the multiyear execution plan and the monitoring and evaluation plan. Any change to the [Project Operating Regulations](#) will require the prior written consent of the Bank.
- 3.8 **Special contractual conditions precedent to the first disbursement of financing.** As contractual conditions precedent to the first disbursement, the executing agency will present evidence, to the satisfaction of the Bank, of: (i) the establishment of a project execution unit within the executing agency's structure, as established in paragraph 3.2 and the Project Operating Regulations; (ii) the hiring and/or appointment with the project execution unit, as appropriate, of the chief, administrative coordinator, procurement specialist, and financial specialist (in cash management), in accordance with the terms of reference agreed upon previously with the Bank; and (iii) the approval and entry into force of the [Project Operating Regulations](#), in accordance with the terms previously agreed upon with the Bank. The first and second conditions are considered essential to assure the Bank that the executing agency will be prepared with a suitable team to initiate project execution. Specifically, hiring and/or appointment of the four specialists mentioned in the second condition will be required to begin hiring the other members of the project execution unit staff. The third condition is warranted as the [Project Operating Regulations](#) are indispensable to operationalize different activities and ensure proper execution and coordination of the project.
- 3.9 **Procurement plan.** The executing agency will procure goods, works, and consulting and nonconsulting services in keeping with the Policies for the Procurement of Goods and Works Financed by the IDB (GN-2349-15), the Policies for the Selection and Contracting of Consultants Financed by the IDB (GN-2350-15), and other internal Bank procedures. Use of the country system is envisaged when there are purchases eligible for the use of that system within the scope approved by the Board of Executive Directors of the Bank (GN-2538-22), if this facilitates project execution. The procurement plan will be updated annually,



as necessary, or whenever the Bank so requires in accordance with the execution and monitoring system established.

- 3.10 **Disbursement flow.** Disbursements will be in the form of advances of funds, in accordance with Financial Management Guidelines OP-273-12, which will be made based on a financial plan that covers the real liquidity needs of the project for up to 180 days. Except for the first advance, subsequent advances will be processed when supporting documentation has been provided for at least 80% of the total cumulative balance pending substantiation. In order to manage funds, the ONP will use the Single Treasury Account. Substantiation of expenditures will be carried out using the exchange rate for the conversion of proceeds disbursed in U.S. dollars to the country's local currency (monetization rate). Review of the documentation will be conducted ex post. Funding from the Grant Facility (GRF) will be disbursed pari passu, simultaneously, following the same criteria as those used for the loan, and proportionally with respect to the OC loan proceeds, in accordance with the provisions of documents AB-3332 and GN-2947-26.
- 3.11 **Audit.** The project financial statements will be audited by an independent audit firm that is acceptable to the Bank on an annual basis and are to be presented within 120 days following the close of each fiscal year during the original disbursement period or any extension thereof. The last financial statement will be presented within 120 days following the date of the last disbursement. The contracting of the audit firm will be governed by Bank policies (OP-237-12 and Audited Financial Report and External Audit Management Handbook) and charged against the loan proceeds.

**B. Summary of arrangements for results monitoring**

- 3.12 **Monitoring.** The executing agency, through the project execution unit, will present to the Bank semiannual progress reports indicating fulfillment and progress with respect to the indicators contained in the results matrix, as well as the multiyear execution plan, the annual work plan, and the procurement plan, as described in the monitoring and evaluation plan ([required link 2](#)). The latter describes the funds envisaged for monitoring and evaluation.
- 3.13 **Evaluation.** A midterm evaluation will be conducted 36 months after the agreement enters into force, or when 40% of the loan amount has been disbursed, whichever occurs first. The final evaluation will be completed when the original disbursement period or its extensions have ended, or when 90% of the grant funding has been committed, whichever occurs first. Within 180 days following the last disbursement, a project completion report will be prepared. This report will document progress in achieving the outcomes and outputs agreed upon and the lessons learned that affected project performance.

Development Effectiveness Matrix		
Summary		PE-L1290
<b>I. Corporate and Country Priorities</b>		
<b>Section 1. IDB Group Institutional Strategy Alignment</b>		
Operational Focus Areas		<ul style="list-style-type: none"> <li>-Biodiversity, natural capital, and climate action</li> <li>-Gender equality and inclusion of diverse population groups</li> <li>-Institutional capacity, rule of law, citizen security</li> <li>-Social protection and human capital development</li> </ul>
[Space-Holder: Impact framework indicators]		
<b>2. Country Development Objectives</b>		
Country Strategy Results Matrix	GN-3110-1	1.1 "Support formal insertion and productivity in the labour market"; and 3.1 "strengthening the effectiveness and institutionality of public administration".
Country Program Results Matrix	GN-3207-2	The intervention is included in the 2024 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
<b>II. Development Outcomes - Evaluability</b>		<b>Evaluable</b>
<b>3. Evidence-based Assessment &amp; Solution</b>		<b>8.3</b>
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		1.9
3.3 Results Matrix Quality		3.8
<b>4. Ex ante Economic Analysis</b>		<b>10.0</b>
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
<b>5. Monitoring and Evaluation</b>		<b>9.5</b>
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		5.5
<b>III. Risks &amp; Mitigation Monitoring Matrix</b>		
Overall risks rate = magnitude of risks*likelihood		Low
Environmental & social risk classification		C
<b>IV. IDB's Role - Additionality</b>		
<b>The project relies on the use of country systems</b>		
Fiduciary (VPC/FMP Criteria)	Yes	Budget, Treasury, Accounting and Reporting, External Control.  Procurement: Information System, Price Comparison, Contracting Individual Consultant, National Public Bidding.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	ATN/OC-20477-PE

**Evaluability Assessment Note:**

The general objective of the project is to achieve an adequate provision of the Peruvian ONP's mission services to its users at the national level. The specific objectives are: (i) to improve the operational efficiency of the services; and (ii) to improve interaction with ONP's users. Consistently, the specific objectives address the two main determinants of the problem. The diagnosis of the problem and determinants is based on adequate quantitative and qualitative evidence. In particular, the project presents detailed information on the additional barriers to accessing ONP services faced by migrant populations, PcD and women. The vertical logic of the project links the problem with its determinants and proposed solutions (components). The proposed solutions are based on quantitative and argumentative evidence. However, the project would benefit from more detailed information on the incentives and capacity of ONP staff to adapt to change and make use of the outputs, so that the results materialize in favor of the beneficiaries.

The results matrix is consistent with the vertical logic of the operation. In general, the outcome indicators and their targets are adequate to measure the achievement of the specific objectives. However, the evidence supporting the goal of affiliation of the migrant population, because of the elimination of barriers to access information and training, is argumentative and could be ambitious. The evaluation of the results will be based on a before-after analysis.

The ex-ante economic analysis shows that the program would generate an NPV of US\$ 14.9 million and an IRR of 15.87%, with a discount rate of 12%. The assumptions for estimating benefits are reasonable. The analysis includes all project costs. A sensitivity analysis is also provided.

The project obtained an Environmental and Social rating in category C, since only minimum or no negative environmental or social effects are expected. In addition, the project identifies two high risks and three medium-high risks. The high risks are related to the lack of experience of ONP teams in financial and procurement management of IDB projects. The medium-high risks are related to potential staff turnover, changing government priorities, and difficulties in implementing changes and new technologies at ONP. Mitigation measures have been proposed and can be monitored throughout the project.

### RESULTS MATRIX<sup>1</sup>

<b>Project objective:</b>	The specific objectives are: (i) to improve operational efficiency of services; and (ii) to improve interaction with ONP customers. Attainment of these objectives will contribute to the general objective of achieving proper delivery of the core services of the Pension Standardization Office (ONP) to customers nationwide.
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#### IMPACTS

Indicators	Unit of measure	Baseline	Baseline year	Expected year achieved	Final target	Means of verification	Comments
<b>General development objective: To achieve proper delivery of the core services of the Pension Standardization Office (ONP) to customers nationwide</b>							
(1) Percentage of provisional pension claims denied as compared to total claims denied	Percentage	45.1%	2023	2029	5%	ONP statistics	Quantifies the decrease in the number of improper payments of provisional pensions.
(2) Percentage of enrollees with contributions prior to July 1999 who have work histories reported by their employers	Percentage	6%	2023	2026	23%	ONP statistics	Quantifies the increase in enrollees with reported work histories.

<sup>1</sup> For means of verification and indicator methodology, see [required link 2](#).

EXPECTED RESULTS<sup>2</sup>

Indicators	Unit of measurement	Baseline	Baseline year	Expected year achieved	Final target (year 6)	Means of verification	Comments
<b>Specific objective 1: To improve operational efficiency of services</b>							
(1) Average service time to determine pension eligibility entitlement and other claims	Number of working days	51.8	2023	2029	24	ONP statistics	
(2) Percentage of pension benefits and other claims determined within the statutory deadline	Percentage	69%	2023	2029	90%	ONP statistics	
(3) Number of digital services for Venezuelan migrants that interoperate with the National Migration Superintendency (SNM)	Number of services	0	2024	2029	2	ONP statistics	
<b>Specific objective 2: To improve interaction with customers</b>							
(4) Percentage of ONP customer service interactions that are provided through digital channels, as compared to total service encounters provided through different channels Tracking indicators: <sup>3</sup> (4.a) Percentage of customer service interactions that are provided through digital channels to women ONP customers, as compared to total service encounters provided through different channels	Percentage	0.68%	2023	2029	20%	ONP statistics	
(5) Average service time to address complaints	Number of working days	50	2023	2029	24	ONP statistics	
(6) Number of Venezuelan migrants enrolled in the SNP	Number of migrants	50,763	2024	2029	58,262	ONP statistics	
(7) Number of Venezuelan migrants served who access new services provided by the ONP	Number of interactions	0	2024	2029	71,339	ONP statistics	

<sup>2</sup> See [required link 2](#) for indicators rationale, calculation formulas, and rationale.

<sup>3</sup> Tracking indicator: makes it possible to monitor progress under the program in areas of interest instead of as a function of a previously established target.

OUTPUTS

Outputs	Baseline	Unit of measure	Baseline year	Year1	Year 2	Year 3	Year 4	Year 5	Project completion	Means of verification	Observations
<b>Component 1. Improve operational efficiency of services</b>											
<b>1.1 Integrate ONP customers' pension information</b>											
Model of integrated database for ONP customers designed	0	Number of database models designed	2023	0	1	3	0	0	4	PEU execution report	
Populating of data on contributions prior to June 1999 digitized	0	Number of documents digitized	2023	0	48,803	48,803	0	0	97,606	PEU execution report	
<b>1.2 Analyze, design, develop, and implement a new integrated core information system</b>											
Functional requirements for development of information systems determined	0	Number of documents	2023	15	37	0	0	0	52	PEU execution report	
Integrated pension information system (SIIP) with universal accessibility developed	0	Number of information systems	2023	0	0	0	1	0	1	PEU execution report	
New digital services implemented <sup>4</sup>	0	Number of services digitized	2024	0	0	0	7	10	17	PEU execution report	
(Virtual) digital classroom to promote a culture of contributing to a retirement pension among the migrant population implemented	0	Module	2023	0	0	0	1	0	1	PEU execution report	
Interoperability mechanisms implemented	0	Web service	2023	0	0	1	2	0	3	PEU execution report	
Courses/workshops for ONP technical personnel on digital governance and change management developed	0	Number of courses / workshops <sup>5</sup>	2023	0	0	13	10	23	46	PEU execution report	

<sup>4</sup> This is not presented as an "output" in the Invierte.pe profile; however, it is considered a notable "output" for IDB documents.

<sup>5</sup> There is no information in the Invierte.pe profile on the number of staff that will be trained.

Outputs	Baseline	Unit of measure	Baseline year	Year1	Year 2	Year 3	Year 4	Year 5	Project completion	Means of verification	Observations
<b>1.3 Enhance information processing and storage capacity</b>											
Data center implemented	0	Number of data centers	2023	0	0	1	1	0	2	PEU execution report	
<b>1.4 Enhance information technology infrastructure</b>											
Equipment to enhance information technology infrastructure procured	0	Pieces of equipment	2023	0	1,000	1,000	986	0	2,986	PEU execution report	
<b>Component 2: Improve interaction with ONP customers</b>											
<b>2.1 Raise awareness among ONP customers about digital technology use</b>											
Digital awareness-raising plan aimed at ONP user with a gender and diverse group <sup>6</sup> perspective implemented	0	Number of plans	2023	0	0	0	0	1	1	PEU execution report	
<b>2.2 Improve ONP customer service channels</b>											
Customer service centers that are inclusive and accessible for a wide range of customers implemented	0	Number of customer service centers	2023	0	0	0	5	9	14	PEU execution report	
Mobile service for the migrant population implemented	0	Number of mobile units	2023	0	0	1	1	1	3	PEU execution report	
<b>2.3 Improve enrollment and pension contribution mechanisms</b>											
Development of procedures for enrollment and pension contributions implemented	0	Number of procedures	2023	0	0	0	0	3	3	PEU execution report	
Development of procedures aimed at women for enrollment and pension contributions implemented	0	Number of procedures	2003	0	0	0	0	1	1	PEU execution report	
Development of procedures aimed at the migrant population for enrollment and pension contributions implemented	0	Number of procedures	2023	0	0	0	0	3	3	PEU execution report	

<sup>6</sup> Diverse groups refer to persons with disabilities, Indigenous people, and Afro-Peruvians.

Outputs	Baseline	Unit of measure	Baseline year	Year1	Year 2	Year 3	Year 4	Year 5	Project completion	Means of verification	Observations
<b>2.4 Develop a culture of contributing to retirement pensions among ONP customers</b>											
Methodologies and contents to promote a culture of contributing to retirement pensions developed	0	Number of methodologies	2023	0	0	2	3	0	5	PEU execution report	
Methodologies and contents aimed at women to promote a culture of contributing to retirement pensions developed	0	Number of methodologies	2023	0	0	0	1	0	1	PEU execution report	
Materials aimed at Indigenous peoples and Afro-Peruvians regarding a culture of contributing to retirement pensions prepared	0	Number of materials	2023	0	0	0	1	0	1	PEU execution report	
Materials aimed at the migrant population regarding a culture of contributing to retirement pensions prepared	0	Number of materials	2023	0	0	0	1	0	1	PEU execution report	

Country: Peru

Division: LMK

Operation No.: PE-L1290

Year: 2024

## FIDUCIARY AGREEMENTS AND REQUIREMENTS

**Executing agency:** Pension Standardization Office (ONP)

**Operation name:** Improvement of the Services of the Pension Standardization Office

### I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

#### 1. Use of country systems<sup>1</sup>

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information systems	<input checked="" type="checkbox"/> National competitive bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input checked="" type="checkbox"/> Shopping	<input checked="" type="checkbox"/> Others
<input checked="" type="checkbox"/> Accounting	<input checked="" type="checkbox"/> External control	<input checked="" type="checkbox"/> Individual consultants	<input type="checkbox"/> Others

#### 2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Co-financing	The project will be financed with resources from the Ordinary Capital for up to US\$60,000,000 and with resources from the Grant Facility for US\$1,000,000. Local counterpart resources total US\$19,839,751.
<input checked="" type="checkbox"/>	Specific features of fiduciary execution	The executing agency will be the Pension Standardization Office (ONP), which will establish a project execution unit to manage the project and will report to the General Management. The project execution unit will receive the disbursements for project execution and will be responsible for general coordination, planning, follow-up and monitoring; administration and finance; procurement and contracting; environmental and social management; and program communication. GRF resources will follow the same procedures that apply to the loan proceeds drawn from the Ordinary Capital.

#### 3. Fiduciary capacity

Fiduciary capacity of the executing agency	The fiduciary capacity of the executing agency, according to the assessment, is medium-high. To mitigate risks identified, implementation of an execution mechanism was agreed to, among other strengthening measures, in order to hire qualified professionals with experience executing IDB projects who will work full time on the project in the procurement and financial management areas.
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<sup>1</sup> Any system or subsystem that is approved subsequently may be applicable to the operation, according to the terms of Bank validation.



#### 4. Fiduciary risks and risk response

Risk taxonomy	Risk	Risk level	Risk response
Internal processes	Should professionals at the ONP contracting office lack experience in applying Bank procedures and policies for project procurements, reprocessing preparation of contracting documents may occur at different stages of the project contracting processes during the first year of execution, which would cause delays of up to six months in the execution of resources and/or partial nonfulfillment of project objectives and results.	High	Hire a procurement specialist to be part of the project execution unit who has knowledge and experience in applying Bank procurement policies. Additionally, prepare, adopt, and disseminate Project Operating Regulations that provide for governance, planning, and procurements.
Internal processes	Should professionals at the ONP financial office have no experience in applying Bank procedures and policies for project financial management, accounting and financial oversight of the execution of project resources during the first year of execution may be inadequate, which could lead to nonfulfillment of contractual clauses related to financial management requirements and cause potential delays in budget allocations of project resources, preparation of disbursement requests, substantiation of expenditures, and project financial statements during the first year of execution.	High	Hire a financial specialist to be part of the project execution unit, who has knowledge and experience in applying Bank financial management policies. Additionally, prepare, adopt, and disseminate Project Operating Regulations that provide for governance, institutional, operational, and financial planning, procurement, and reporting on financial information and results.

5. **Policies and guidelines applicable to the operation:** Financial Management Guidelines for IDB-financed Projects (OP-273-12), Disbursement Handbook, Audited Financial Reports and External Audit Management Handbook. Policies for the Procurement of Goods and Works Financed by the IDB (GN-2349-15) and Policies for the Selection and Contracting of Consultants Financed by the IDB (GN-2350-15).
6. **Exceptions to policies and guidelines:** Not applicable.

**II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT**

<p>Special conditions precedent to the first disbursement: As contractual conditions precedent to the first disbursement, the executing agency will present evidence, to the satisfaction of the Bank, of: (i) the establishment of a project execution unit within the executing agency's structure; (ii) the hiring and/or appointment, as appropriate, of the general program coordinator, procurement specialist, and fiduciary specialist at the project execution unit, in accordance with the terms of reference previously agreed upon with the Bank; and (iii) the approval and entry into force of the Project Operating Regulations, in accordance with the terms previously agreed upon with the Bank, which will include the fiduciary management agreements, the multiyear execution plan, the financial plan, and the program execution plan.</p>
<p>Exchange rate: For the purposes of Article 4.10 of the General Conditions, the parties agree that the applicable exchange rate will be the rate indicated in Section (b)(i) of that article. For the purpose of determining the equivalency of expenditures incurred in local currency charged to the local contribution or for reimbursement of expenditures charged to the loan, the exchange rate used will be the rate in effect on the date on which the borrower, executing agency, or any other individual or entity to which the authority to incur expenses has been delegated, makes the respective payments to the contractor, supplier, or beneficiary.</p>
<p>Type of audit: The program financial statements will be audited by a firm of external auditors that is acceptable to the Bank on an annual basis, within 120 days after the close of each fiscal year and 120 days after the end of the original disbursement period or any extension thereof. The terms of reference will be agreed upon in advance with the Bank.</p>

**III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION**

<p><input checked="" type="checkbox"/></p>	<p>Bidding documents</p>	<p>For works, goods, and nonconsulting services procured in accordance with the Procurement Policies (GN-2349-15) and subject to international competitive bidding (ICB), the Bank's standard bidding documents or the documents agreed upon between the executing agency and the Bank for a specific procurement item will be used. Likewise, the selection and contracting of consulting services will proceed in accordance with the Policies for the Selection and Contracting of Consultants (GN-2350-15) using the standard request for proposals issued by the Bank or agreed upon between the executing agency and the Bank for a specific selection process. For national competitive bidding, a procurement document will be developed and agreed upon between the country's competent authority and the Bank. Review of technical specifications and terms of reference for procurement during preparation of the selection processes is the responsibility of the project's sector specialist. This technical review may be ex ante and is independent of the review method for procurements.</p>
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☒	Use of country systems	<p>Since the Board of Executive Directors has approved advanced use of Peru's country procurement system, the country system may be used after implementing the actions set out in the Report for Acceptance of Use of the Country Procurement System in Peru, subject to modification of the procurement plan. The electronic reverse auction and framework agreement-based electronic price list subsystems can be used once the requisite recommendations have been implemented. The procurement plan will indicate the contracting to be executed using the country system within the scope approved.</p>								
☒	Procurement supervision	<p>Supervision will be ex post, except where ex ante supervision is warranted. Whenever procurements are executed using the country system, the country system will also be used for supervision. The supervision method, whether (i) ex ante, (ii) ex post, or (iii) country system, will be determined for each selection process. Ex post reviews will be conducted in accordance with the project supervision plan established for each year. Ex post review reports will include at least one physical inspection visit (the inspection verifies the existence of the procured items, leaving verification of quality and compliance with specifications to the sector specialist) selected from the procurement processes subject to ex post review (no less than 10%). Should the physical inspection visit not be possible, virtual meetings will be organized. The threshold amounts for ex post review are as follows:</p> <table border="1" data-bbox="586 1052 1370 1255"> <thead> <tr> <th data-bbox="586 1052 764 1125">Executing agency</th> <th data-bbox="764 1052 963 1125">Works</th> <th data-bbox="963 1052 1170 1125">Goods and services</th> <th data-bbox="1170 1052 1370 1125">Consulting services</th> </tr> </thead> <tbody> <tr> <td data-bbox="586 1125 764 1255">ONP</td> <td data-bbox="764 1125 963 1255">US\$3 million</td> <td data-bbox="963 1125 1170 1255">US\$250,000</td> <td data-bbox="1170 1125 1370 1255">US\$200,000 firms US\$50,000 individuals</td> </tr> </tbody> </table>	Executing agency	Works	Goods and services	Consulting services	ONP	US\$3 million	US\$250,000	US\$200,000 firms US\$50,000 individuals
Executing agency	Works	Goods and services	Consulting services							
ONP	US\$3 million	US\$250,000	US\$200,000 firms US\$50,000 individuals							

**Main procurements:**

Description of procurement	Selection method	New procedures / tools	Estimated date	Estimate amount US\$
<b>Goods</b>				
Infrastructure equipment	International competitive bidding (ICB)		02/01/2025	6,209,371
Security equipment	ICB		02/01/2025	9,594,385
<b>Nonconsulting services</b>				
Cleaning, data standardization and migration	ICB		11/15/2024	1,436,824
Cloud service	ICB		09/15/2024	1,666,897

Description of procurement	Selection method	New procedures / tools	Estimated date	Estimate amount US\$
Licenses and subscriptions	ICB		11/15/2024	1,902,888
<b>Firms</b>				
Validation of contributions with intensive use of information and communication technology for ex officio validation	Quality- and cost-based selection (QCBS)		11/15/2025	3,470,588
Digitization of contribution data	QCBS		09/15/2024	5,900,00
Headhunting consultancy for the software development team	QCBS		09/15/2024	14,307,379
<b>Individuals</b>				
Budget coordinator	Individual consultant selection (3CV)		08/15/2024	224,598
Chief of the execution unit	3CV		08/15/2024	288,770
Social specialist	3CV		08/15/2024	192,530
Project management office coordinator	3CV		08/15/2024	224,598
Administrative coordinator	3CV		08/15/2024	224,598
Procurement specialist	3CV		08/15/2024	192,513

Click [here](#) to see the 18-month procurement plan.

#### IV. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

<input checked="" type="checkbox"/>	Programming and budget	The annual programming and budget will be based on the provisions issued by the Public Budget Division of the Ministry of the Economy and Finance (MEF). The Investment Policy Division, in coordination with the General Planning and Budget Office, will formulate the project's annual budget based on the disbursement schedule and will define and agree to the priorities for external financing under the project at hand. The budget will be administered through the Integrated Financial Administration System (SIAF). The budget allocated to the program will be approved by the MEF and the Peruvian Congress and reported annually to the Bank; it will be reflected in the SIAF, and the activities committed to under the project will thus be carried out. The executing agency will have budget autonomy for program execution. A project execution plan will be prepared, which will serve as the foundation for the annual budget.
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<input checked="" type="checkbox"/>	<p>Treasury and disbursement management</p>	<p>The country's public debt and treasury systems will be used in accordance with the guidelines issued by the Public Treasury Division. Expenditures are subject to the budget and financial execution process, and the SIAF administrative and project executions modules will record the data related to its formalization pursuant to the regulatory framework applicable to each of its steps: commitment, verification, authorization, and payment. The project execution unit will administer the funds through the Single Treasury Account. Disbursements will be made in accordance with the program's actual liquidity needs (financial planning). The project execution unit will submit disbursement requests to the Bank together with an expense plan for activities set out in the annual work plan for the subsequent 180 days. At least 80% of disbursements are to be substantiated when making the following request for disbursements by providing expenditure and investment statements. External auditors will conduct an ex post review of supporting documentation for disbursements. The monetization exchange rate will be applied, understood as the exchange rate in effect on the date on which U.S. dollars are converted to soles.</p>
<input checked="" type="checkbox"/>	<p>Accounting, information systems, and reporting</p>	<p>The project will use the SIAF project execution module for project accounting and reporting during execution, as it offers transparency and budget execution controls. The module can record project accounting and issue financial reports, including disbursement requests, exchange rate controls, financial statements, and other reports in accordance with the Bank's requirements. Accounts will be prepared on a cash basis and will follow international accounting standards and the directives issued by the National Public Accounting Office.</p> <p>For project supervision, the following financial statements will be required: statement of cash receipts and disbursements, cumulative investment statements and the notes corresponding to those statements, and the assessment of the internal control system. These reports are to be duly audited and presented on an annual basis.</p>
<input checked="" type="checkbox"/>	<p>Internal control and internal audit</p>	<p>The control environment, control actions, communication and information, and monitoring of ONP activities are governed by the country's regulations, which are based on the Law on the National Control System.</p> <p>The internal audit function at ONP is the remit of the internal control office (OCI). OCI personnel report to the Office of the Comptroller General (CGR). Generally, the scope of OCI's work does not cover the projects; however, the OCI will receive a copy of the external audit reports through the CGR-designed Government Audit System, which enables it to conduct inspection actions in keeping with the time and resources it has available. The project execution unit will be required to include the main internal control processes in the project Operating Regulations to ensure that these controls are working properly.</p>

<input checked="" type="checkbox"/>	External control and financial reports	The CGR, as the lead agency of the National Control System, outsources projects' external audits to Bank-eligible independent audit firms. The Bank periodically evaluates eligible firms to ensure they are of the highest quality. The CGR authorizes the project execution unit to select and contract the independent audit firm, in accordance with Bank policies, for the duration of the program execution period, including any extension of the disbursement period. The cost of the external audits will be covered by the loan proceeds.
<input checked="" type="checkbox"/>	Financial supervision of the operation	Support will be offered during project execution in the form of on-site visits to the executing agency, participation in the launch workshop and other trainings, review of audited financial statements, and other activities established in coordination with the Project Team Leader. The frequency of these activities is determined according to the risk associated with project execution.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/24

Peru. Loan \_\_\_/OC-PE the Republic of Peru. Improvement of the Services  
of the Pension Standardization Office

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Peru, as borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the project "Improvement of the Services of the Pension Standardization Office". Such financing will be for the amount of up to US\$60,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_ \_\_\_\_\_ 2024)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/24

Peru. Nonreimbursable Investment Financing \_\_\_/GR-PE to the Republic of Peru  
Improvement of the Services of the Pension Standardization Office

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the IDB Grant Facility (hereinafter referred to as the "Account"), to enter into such contract or contracts as may be necessary with the Republic of Peru, as beneficiary, for the purpose of granting it a nonreimbursable investment financing aimed at cooperating in the execution of the project "Improvement of the Services of the Pension Standardization Office". Such nonreimbursable investment financing will be for an amount of up to US\$1,000,000, which form part of the Account, and will be subject to the Terms and Financial Conditions and the Special Contractual Conditions in the Project Summary of the Nonreimbursable Financing Proposal.

(Adopted on \_\_\_ \_\_\_\_\_ 2024)