UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Project Document

Number: XX/PERU/02/XX

Country: Peru

Title: Assistance to the Peruvian Census of Manufacturing

Origin and date of official request: The Minister of Industria, Turismo, Integración y Negociaciones Comerciales Internacionales (MITINCI). Sr. Lic. Raúl Diez Canseco Terry

Total Budget: US$200,000

Estimated Starting Date: May 2002

Planned duration: 15 months

Project site: Lima

National Counterpart: Ministerio de Industria, Turismo, Integración y Negociaciones Comerciales Internacionales (MITINCI)

Executing Agency: United Nations Industrial Development Organization (UNIDO)

On behalf of the Republic of Peru:

Carlos Maza Rodríguez
Vice-Minister of Industry
Republic of Peru

Vienna, 19 April 2002

On behalf of UNIDO:

Carlos Magarinós
Director-General

Vienna, 19 April 2002

Brief description: The project will help taking a Census of the manufacturing industries of Peru. After some 10 years of statistical blackout, the Government is very short of evidence on which to base policy decisions concerning industrial matters. Accordingly, it was decided to take a Census. The project consists in helping the Census with advise from experts at critical moments of the operation.
PART 1. CONTEXT

1.1 Description of the sector.

Very little quantitative evidence is available on the Peruvian industry. This is due to a decade-long spell of maintaining statistical production at a bare minimum. As an example of the disarray where this indifference landed the present state of "statistical information", suffices it to mention that estimates of the number of industrial units active in the country vary by one order of magnitude from one source to another.

All firms are obliged to register with the Registro Unico de Contribuyentes (RUC) that is managed by the Superintendencia Nacional de Administracion (SUNAT) and this register contains some 170,000 firms (of which 116,000 manufacturing firms), but a very large portion of these registrations is likely to be erroneous. As there is no incentive to deregister when an enterprise quits, many firms remain in the register even after deactivation. Furthermore, many active firms are likely to accumulate registrations under several names or several locations. A confirmation that the register is overblown is given by the fact that only 38,584 of the 171,864 firms in the register seem to have an operational telephone line. Finally, many firms classified to industry actually belong to some other sector of activity like commerce.

The register contains some 170,000 firms, but the yearly statistical survey covers only six hundred firms of which less than half ever answer the questionnaire. Needless to say, the handful of firms that in the final account provide statistical information cannot at all be taken as representative of the total population of Peruvian firms.

In sum, as far as industry is concerned, there is no statistical account worth its salt currently available in Peru.

1.2 Strategy

To redress this situation, it was decided, by way of a Presidential Decree, to take a census of firms in the sectors of manufacturing, handicraft and tourism.

1.3 Institutional framework

The responsibility of implementing this action is invested in the Ministerio of Industria, Turismo, Integración y Negociaciones Comerciales Internacionales (MITINCI).

MITINCI established a Cooperation Agreement with the Instituto Nacional de Estadística e Informática (INEI) and with the Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual (INDECOPI) to create a general framework in which the three entities will cooperate to implement the census.

MITINCI approached UNIDO to obtain assistance in the conduct of the manufacturing part of this census.
PART II. PROJECT JUSTIFICATION

2.1 Problems to be addressed

An industrial census is a decisive step towards quantitative evidence on the activity and the structure of the industrial sector in a given moment of time. Since very little is known concerning the Peruvian industry in the last decade, the Government considers the census as indispensable to understand on what base to construct the future. It is also an instrument of immediate necessity to enable the Government to define the position of Peru in the matter of commercial or industrial international agreements that Peru is preparing to sign in this time of integration with Latin American and world integration.

A census is also the base for longitudinal studies (those that are done at discrete intervals of time). The MITINCI produce a monthly and a yearly survey of industry. These surveys are based on the structure of industry as it was more than ten years ago. Without updating our knowledge of industry, the monthly and yearly surveys would keep forever focusing on a reality defined more than 10 years ago. As industry changes, and changes rapidly, this distant reference goes losing pertinence ever quicker.

Furthermore, an industrial census is needed not only to understand industry but also the whole economy. As long as governments will continue to organize their budgets, short and medium-term economic plans, and views on the international environment in accordance with the structure of the economic or “national accounts”, the statistical infrastructure that makes possible the estimation of national accounts is vital. Since national accounts include the accounts of industries in which production originates, information on the units related to the production accounts is needed. And only the census can provide this information with any accuracy.

Finally, a census is needed in the context of increased competition in which Peru is likely to be submitted as, like other countries, it will be engulfed in globalization. Given that investors, and in particular international investors, look for alternative ways of employing capital, the re-location of large and complex operations takes on greater frequency. Important decisions relating to whether or not particular operations should be open (or closed down!) will require a clear vision of the local conditions. Hence, investors are likely to require from business more refined measures of profitability. These decisions matter not only to entrepreneurs but also to the local work forces. An industrial census is a vital piece in the better information on the Peruvian industrial activities that such decisions will require.
2.2 **Expected end-of-project situation**

At the end of the project the census will be taken, the results will be published.

Expected outcome:
1. A business register;
2. Census returns from manufacturing firms;
3. Data processed into statistical form.

2.3 **Expected target beneficiaries**

A census provides information of general interest that can be qualified as a “public good” useful for a wide audience comprising, for instance, the media, investors—local and foreign—the Government, the Trade Unions, academia. However, three categories of actors have a direct interest in the census.

First, the Presidential Decree mentions the MITINCI as the first target beneficiary in the sense that, in order to pursue its developmental goals, MITINCI need the information provided by the census.

Second, for reasons exposed above, the Bank of Reserve, where national accounts are established, is a direct stakeholder in obtaining accounts from industrial firms.

Third, the Sociedad Nacional de Industrias (SNI), to which the project of the census was presented by UNIDO’s DG, expressed a deep interest in obtaining the holistic view of industry that the census will produce.

2.4 **Strategy for implementation.**

The strategy to implement this census may be seen as three successive stages.

**First stage: Planning and Preparation**

1. Decide on and prepare enumeration procedures
2. Estimate budget, personnel, and equipment needs
3. Update the list of establishment
4. Decide questionnaire content and define concepts
5. Plan a pilot survey for questionnaires and procedure.

**Second stage: Pilot Survey**

6. Prepare time schedule, estimates of personnel requirements and estimates of cost, and preliminary drafts of questionnaires and materials.
• Select sample establishments and geographic enumeration districts
8. Plan and implement publicity program
9. Develop and print manuals and questionnaires
10. Select and train staff of central office and of district field offices
11. Send enumeration materials to district offices
12. Select and train crew leaders
13. Select and train enumerators
14. Mail report forms (mail or e-mail segments)
15. Conduct site visits (field segment)
16. Follow non-response and inadequate response cases
17. Field edit of questionnaires
18. Solve problems and close-out of field operations
19. Prepare report of field problems and recommendations for census

Third stage: Enumeration

20. Make final planning decisions and final updates of enumeration materials
21. Print census questionnaires, manuals, training materials, forms, etc
22. Select and train officers in province field offices and temporary central office staff
23. Establish area of responsibility of province field office.
24. Conduct publicity campaign
25. Select and train clerical staff
26. Prepare enumerator kit, crew leader kits and other enumeration materials for distribution to the field
27. Distribute enumeration materials
28. Select and train crew leaders
29. Conduct crew leaders preliminary field operations
30. Select and train enumerators
31. Conduct site visits (field segment)
32. Mail/e-mail out forms (mail segment)
33. Adjust workload if necessary
34. Adjust staffing if necessary
35. Follow-up non-response and inadequate response cases
36. Field edit of questionnaires
37. Final follow-up and follow-up deficient reports
38. Check quality of field canvass and other field operations
39. Transmit completed questionnaires to central office
40. Close-out census field operations.

UNIDO will assist with expert advice concerning the implementation of items 4 to 38 as the need occur. This advice will be delivered to MITINCI as support of the role imparted to MITICII in the Cooperation Agreement established with INEI and INDECOPI.

In addition, UNIDO will advise in matters of software and hardware configurations and applications needed for the MINTICI to be able to monitor and absorb the data flows generated by the updating of the registry of establishments and by the
returns from the census questionnaires.

2.5 Reasons for assistance from UNIDO

Censuses take place at rather longer intervals of time, say 5 to 10 years. Consequently, few are the countries that have an institutional memory of the procedures and ways to address problems when taking a census. But a census is a vast and complex operation. Once launched, its course can't be modified easily, if at all. International experience shows that the risk of failure is very high if preparation is not adequate.

Accordingly, it is well advised to bring in an international organization that will help the preparation and the implementation with expertise derived of international experience.

2.6 Coordination arrangement

Within MITINCI, it is the Oficina General de Informática y Estadística that has been designated as the technical leader of the operation and, therefore, as the counterpart of UNIDO.

2.7 Counterpart support

MITINCI will contribute in-kind to provide office space, secretarial support, communication facility and logistic support (transportation, copying, publishing, translation, etc...) for the activities to be implemented within the frame of the project by the international experts fielded by UNIDO. Most of the work will be done by MITINCI and by the Instituto Nacional de Estadística e Informática (INEI), UNIDO will assist with expertise delivered to MITINCI.

PART III. IMMEDIATE OBJECTIVES, OUTPUTS AND ACTIVITIES

Immediate objective:

The overarching objective of this project is to support the MITINCI in coming up with a state-of-the-art census of the manufacturing firms of Peru.

To this effect, UNIDO will provide expertise to advice in the areas detailed under 2.4 Strategy for Implementation.
Results and activities:

Questionnaires to be used for the Census, design of a register, plan of a pilot survey, design applications for future updating of the register, launch the pilot survey, design applications for the processing of the pilot survey results. After the Pilot Survey, lessons will be drawn and recommendations provided for the Census. Applications to the actual processing will be adjusted and examined.

PART IV. RISKS

There will be no success in the census if too many potential respondents either are reluctant to provide data, or, do not compile basic data. This dilemma routinely obtains in the Peruvian industry. Firms of the formal sector would have data but would not report it. Firms in the informal sector would not have data.

However, there are a number of likely changes to the environment that could bring about easier circumstances for the forthcoming data collection. Firstly, there is competition and the growing internationalization of enterprises. The moves towards the promotion of freer trade, the formation of large trading blocs, and the geographic diversification of production are designed to create a more competitive world economic environment. Competition can only become fiercer as more and more markets are opened up and as barriers come down. Increased competition reduces the life expectancy of the average company. It may turn out that it places a premium on those businesses that show themselves to be most capable of re-allocating resources and adapting rapidly to market changes. Flexibility to change usually requires tighter management and that, in turn, implies better information and the capacity to use it intelligently. The information in question is likely to overlap widely with the data sought for purposes of industry statistics.

With a publicity campaign convincing respondents that their own interest is to answer the questionnaire of the census and guaranteeing confidentiality, it may be hoped that the response rate will be enhanced.

PART V. INPUTS

5.1 Host country inputs

MITINCI will mobilize the financing of the investment in the census, some 1.8 million dollars as well as the work of its staff towards the implementation of several aspects of the census, among which, prominently, the updating of the list of units to survey. To the UNIDO team MITINCI will contribute in-kind to provide office space, secretarial support, communication facilities and logistic assistance (transportation, copying, publishing, etc) for the activities to be implemented within the frame of the
5.2 UNIDO inputs

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PART VI. PROJECT REVIEW, REPORTING AND EVALUATION

The programme will be the subject to the review by representatives of UNIDO, MITINCI and other organizations involved. For such review, Programme Performance Evaluation Reports will be prepared by the Programme Coordinator in the country and the UNIDO backstopping officer, a month in advance and submitted to UNIDO.