

TC Document

I. Basic Information for TC

▪ Country/Region:	ECUADOR
▪ TC Name:	Development of Efficient Public Asset Management System in Ecuador
▪ TC Number:	EC-T1521
▪ Team Leader/Members:	Garcia Mejia, Mauricio (IFD/ICS) Team Leader; Pantzer, Robert (IFD/ICS) Alternate Team Leader; Alejandra Aguilar (IFD/ICS); Jimenez Mosquera, Javier I. (LEG/SGO); Pareja Glass, Alejandro (IFD/ICS); Rojas Gonzalez, Sonia Amalia (IFD/ICS)
▪ Taxonomy:	Operational Support
▪ Operation Supported by the TC:	EC-L1249.
▪ Date of TC Abstract authorization:	24 Mar 2023.
▪ Beneficiary:	Republic of Ecuador
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Public Capacity Building Korea Fund for Economic Development(KPC)
▪ IDB Funding Requested:	US\$390,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	30
▪ Required start date:	June, 2023
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	IFD/ICS-Innovation in Citizen Services Division
▪ Unit of Disbursement Responsibility:	IFD/ICS-Innovation in Citizen Services Division
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2020-2023:	Productivity and innovation; Institutional capacity and rule of law

II. Description of the Associated Loan

- 2.1 The project Financial Management Modernization Program (4812/OC-EC), for U\$43 million, was approved by the Board in June 2019. Its objective is to help increase the efficiency and transparency of public resource management through the modernization of financial management technology and the institutional strengthening of the Ministry of Economy and Finance (MEF) and the Office of the Attorney General (PGE). To achieve its objectives, the project is structured in three components: (i) Modernization of financial management technology; (ii) Institutional strengthening of MEF; and (iii) Institutional strengthening of the PGE.
- 2.2 The estimated program impact will be increased efficiency and transparency in public resource management. This impact will result from achieving these outcomes: (i) improved functionalities in the N-SIGEF; (ii) strengthened management capacity in MEF; and (iii) strengthened capacity for legal defense of the State.
- 2.3 The TC will support the development of activities prior to the construction of the actual asset management system, that will be integrated to the N-SIGEF. This TC will allow conducting of a feasibility study through Business Process Reengineering (BPR) and

Information Strategy Planning (ISP) consultation and provide new public IT system models customized to the Ecuadorian environment.

III. Objectives and Justification of the TC

- 3.1 **Objective.** The objective of this Technical Cooperation (TC) is to research and produce information and key technical inputs for integrating, systemizing, and scaling-up the Ecuadorian public asset management system into a comprehensive and cross-governmental financial and accounting management system. As a procedure prior to the actual system construction that is expected to be financed by the project 4812/OC-EC, this TC will allow conducting of a feasibility study through Business Process Reengineering (BPR) and Information Strategy Planning (ISP) consultation and provide new public IT system models customized to the Ecuadorian environment.
- 3.2 The specific objectives of the project are: (i) improve efficiency in the IT systems used by the SETEGISP (Technical Secretary of Real Estate Management of the Public Sector) and the Ministry of Economy and Finance (MEF) of Ecuador for asset management; (ii) reduce knowledge gaps of public servants working in asset management; and (iii) improve accountability to citizens.
- 3.3 In Ecuador, SETEGISP¹ (Technical Secretary of Real Estate Management of the Public Sector) works with the Ministry of Economy and Finance (MEF) managing public assets, and the number of properties under its management reached 5,364 properties as of 2022. In the meantime, SETESGIP set its strategic plan for 2021-2024 indicating its responsibilities in the arrays of: (i) increasing efficiency and effectiveness in the administration and management of the public assets; (ii) increasing efficiency in meeting physical infrastructure requirements presented by public sector institutions; (iii) increasing regulation and commercialization of the public assets; and (iv) strengthening institutional capacities.
- 3.4 When it comes to public asset management, Ecuador is planning a transition to a digital government that encompasses regional governments and public agencies, not just the central government, and this will be implemented through a consistent approach across the public sector. By strengthening its institutional capacities, SETEGISP also plans to use IT system establishment as a strategic means for reforming the public sector and the data of public sector is transparently disclosed, and the government data portal is operated as a portal for the general public to improve the utilization of public assets, with the goal of enhancing trust and increasing national treasury revenues with this digital transformation.
- 3.5 In that process, Ecuador is facing several challenges: (i) the lack of sustainable data regarding their public assets; (ii) a dispersion of public asset management authorities particularly between central and regional governments; (iii) a lack of policy measures with a mid to long term perspectives; and (iv) the deficiency of IT systems supporting efficient management of public assets.
- 3.6 As a part of the IDB's policy to strengthen e-government support in LAC, KAMCO has engaged in the consultation project (ATN/KR-17951-RG) since 2020, concluding that

¹ The Technical Secretary of Real Estate Management of the Public Sector (SETEGISP) is a public agency attached to the Presidency of the Republic of Ecuador, in charge of the management of publicly owned real estates.

applying South Korea's state of the art state-owned property management system combined with the online disposal system can be solutions worth adopting and that take advantage of the benefits stated before.

- 3.7 With the completion in January 2023 of the consultancy financed by ATN/KR-17951-RG, it came to light that conducting BPR/ISP consultation, often with private IT companies, in general is indispensable for any form of new system installation or upgrades. BPR redesigns business procedures to make sure that the to-be-installed practices can be performed more efficiently, and ISP defines the system objectives and strategy and establishes a detailed plan to make sure that the practices identified can be executed within the budget and the timeframes defined.
- 3.8 Diagnosis also showed a lack of cadastral maps and land register of the entire country, a poor quality of public asset data sharing system, a lack of systems for sharing data between the government and public agencies, an inefficient handling of administrative affairs, and a limited public service due to supplier-centered practices. By adding South Korean public partners specialized in asset management into the project team, this TC will be able to provide innovative services tailored to Ecuador.
- 3.9 **Strategic Alignment.** The proposed TC is consistent with the Second Update to the IDB Institutional Strategy (2020-2023) (AB-3190-2) with the development challenge of Productivity and Innovation, by scaling- up the Ecuadorian public asset management system into a comprehensive and cross-governmental financial and accounting management system; and with the cross-cutting issue of Institutional Capacity and the Rule of Law, by providing public servants' better recognition of their asset management systems and motivation to modernize them. It will also contribute with the Corporate Results Framework (CRF) 2020-2023 (GN-2727-12), through to indicator 26 of "Agencies with strengthened digital technology and managerial capacity". The TC is aligned with the Sector Strategy: Institutions for Growth and Social Welfare (GN-2587-2), which emphasizes the implementation of policies, tools and practices that leverage transparency, and integrated information systems that support service delivery. Additionally, the project is consistent with the main goals of the Public Capacity Building Korea Fund for the Development (KPC) which aims to strengthen public sector management in all fiscal related sectors through facilitating efficient allocation and use of public sector resources. Finally, this TC is also aligned with the Country Strategy with Ecuador 2022-2025 (GN-3103-1), particularly with the strategic objectives of expanding the coverage and quality of physical and technological infrastructure; and reducing inefficiencies in public administration.

IV. Description of activities/components and budget

- 4.1 **Component 1. Developing customized information strategies for newly designed Ecuadorian public asset management system (US\$150.000).** Based on the ATN/KR-17951-RG review of 2021-24 strategies of SETEGISP, newly designed information strategies and business process restructuring for a to-be established platform for asset management will be proposed. The strategy needs to be aligned with those of other Ministries including the MEF, regional governments and public agencies. The activities to be financed are: (i) introduction of best practices BPM (Business Process Management System) and general procedures of public asset management; (ii) diagnosis of current Ecuadorian public asset management system including SGAP; (iii) identification of elements to be improved particularly with regards to organization and work scope; and (iv) proposal of new information strategies and business process reengineering for asset management.

- 4.2 **Component 2. Restructuring Public Asset Management Work Process (US\$150.000).** The work process for public asset management will be restructured with objectives of enhancing efficiency and promoting practicality by introducing newly designed processes. These standardized management methods for public assets will be able to shorten duration required for integration of public asset management in Ecuador, with a focus on registration; enhancement of compatibility; provision of core function of asset management; and management of usage and intermediation. The activities to be financed are: (i) analysis of the current Ecuadorian public asset management system, including specific functions and data being managed, and the extent of its usage; (ii) application diagrams of tailored public asset management system with draft of newly designed business process; (iii) identification of anticipated effects of post-system installation; (iv) estimation of required proceeds for the system installation and/or upgrade; and (v) cost and benefit analysis of the public asset management system.
- 4.3 **Component 3. Suggesting data linkage method among related parties for data integration (US\$50.000)** A linkage method between SETEGISP's public asset management system with other IT systems of relevant parties in the Ecuadorian government will be suggested, as well as a feasibility study on establishing an interconnected public asset management system in Ecuador will be conducted. An integration between the public asset management system and the related external systems, such as the cadastral information provider or postal service, will be suggested to maximize efficiency of the respective work process and public asset management as a whole. To activate efficient connections between different institutions, a review of legislative and regulatory measures must be conducted first. Hence, an analysis of current regulations will be performed to propose a data link between SETESGISP and the related institutions. With these connections, the feasibility study will be conducted to investigate the cost-benefit analysis and economic effects. This component will also be designed to compute the detailed schedules and budget capex for establishing the system and the duration of the project will be estimated based on the specification of the system. The activities to be financed are: (i) introduction of external linkage structure of international best practice systems (such as KAMCO's BPM); (ii) analysis of current Ecuadorian public asset management system with perspective of linkage with other governmental IT systems; (iii) diagnosis of the current legislative and regulatory measures required for linkage of the systems; (iv) identification of architecture of to-be system model by business functions, coupled with standard templates and system profiles etc; (v) identification of risk factors inherent to the system installation and the mitigation; and (vi) road map for construction of the system and related draft of procurement proposal.
- 4.4 **Component 4. Training and Dissemination for Stakeholder Engagement (US\$40.000).** Share research findings with stakeholders and wider audiences to improve their engagement and collaboration with the project, through: (i) preparation and submission of interim and final output with recommendations and the implementation plans drawn from the Ecuadorian case, KAMCO and other relevant international experiences; (ii) international workshop with topics on public asset management related IT practices and dissemination of global best practices; and (iii) training and dissemination of the major findings and proposals made in Components 1, 2 and 3 to ensure reliable and efficient follow-up procedures to construct the system.

- 4.5 The main expected products include diagnostics of current asset management systems and business processes, international workshops with topics on public asset management related IT practices and dissemination of global best practices, and asset management information systems modernization plans. The expected outcome is “agencies with strengthened digital technology and managerial capacity”, in particular their asset management systems.
- 4.6 The total funding required for the program amounts to US\$390,000 and will be provided by the Public Capacity Building Korea Fund for Economic Development (KPC). The following table summarizes main activities and their estimated cost.

Indicative Budget (US\$)	
Activity/Component	Total Funding (IDB)
Component 1. Developing customized information strategies for newly designed Ecuadorian public asset management system	150,000
Component 2. Restructuring Public Asset Management Work Process	150,000
Component 3. Suggesting data linkage method among related parties for data integration	50,000
Component 4. Training and Dissemination for Stakeholder Engagement	40,000
Total	390,000

V. Executing agency and execution structure

- 5.1 At the request of the beneficiary (Annex I), this TC will be executed by the Bank's Innovation in Citizens Services Division (IFD/ICS) in coordination with the respective Country Office and IFD/ICS Specialist in the participating country. In accordance with Annex 2 of GN-2629, the TC will be executed by the Bank mainly due to procedural constraints that would delay the execution of the TC. This TC is working with counterparts from different Ministries of the Ecuadorian government, namely the Ministry of Economy and Finance (MEF) and coordinating with the SETEGISP (Technical Secretary of Real Estate Management of the Public Sector). Thus, to facilitate effective coordination, carry out an efficient monitoring and support our beneficiaries to deliver the intended outputs will be requested that the Bank acts as the Executing Agency. Moreover, the Bank Execution is justified since none of these institutions have the capacity to oversee the execution of the other components, and therefore the achievement of objectives would be jeopardized. The presence of the Bank would ensure the neutrality of the executing agency and the collaboration required from all parties for the success of the proposed actions. On the contrary, if the TC would be executed by the Ecuadorian Government, the whole process would be complex, since each of the executing agencies would have to allocate in their own budget the TC financial contribution and carry out their own fiduciary procedures and financial audits.
- 5.2 Information related to the progress reports and financial reports will be informed annually through the GCM system. This TC will have external monitoring and evaluation by an independent consultant, paid by the project, who will register the fulfilment of the indicators and goals included in the results matrix. The Bank through the ICS Division is in the unique position to execute this TC; and its technical capacity, expertise and direct involvement on institutional strengthening will enhance the achievement of the outcomes included in this TC. The coordinator of this TC will be the team leader of the project, and at country level, the focal points will be ICS country

specialist. The supervision cost will be assigned to the team leader through the transaction budget managed by ICS. The technical counterparts will be the agencies in charge of public assets management as stated in the previous paragraph. Therefore, ICS will assume a coordination role and facilitate the hiring processes as it is stated in the Operational Guidelines for Technical Cooperation Products (GN-2629-1). In addition, IFD/ICS has also accumulated considerable experience in implementing the cooperation and convening different stakeholders in the Bank and in LAC countries to achieve fruitful exchanges.

- 5.3 This TC will not supplement the budget of a Bank department or division for routine activities.
- 5.4 **Procurement:** The activities to be financed under this operation have been included in the Procurement Plan (Annex III) and will be executed in accordance with the Bank's established procurement methods, namely: (a) Contracting of individual consultants, as established in the regulations AM-650; (b) Hiring of consulting firms for services of an intellectual nature according to GN-2765-4 and its associated operational guidelines (OP-1155-4) and (c) Hiring of logistics services and other services other than consulting, according to the policy GN-2303-28. The team project will present progress in the delivery of planned outputs through the annual and final TC monitoring reports.
- 5.5 The TC will contract the Korea Asset Management Corporation (KAMCO) via single source selection according to Policy GN-2765-4 paragraph 4.1.3, given its experience of exceptional worth for the assignment and it presents a clear advantage over other possible firms. KAMCO is uniquely positioned to take on this assignment on behalf of IDB for the following reasons. KAMCO was established in 1962 by the "Act on the Efficient Disposal of Non-Performing Assets of Financial Companies and the Establishment of KAMCO". Since its establishment, KAMCO has purchased and resolved financial institutions' NPLs, restructured corporations, assisted in the restoration of creditworthiness of the financially underprivileged, managed public properties, and collected overdue taxes as a quasi-governmental entity. As the oldest public asset management company in the world, KAMCO is serving the development of the South Korean economy and financial market as the nation's economic safety net. Commissioned by the South Korean government in 1996, KAMCO has accumulated successful track records of 25 years of public asset management from rent, sale, to reimbursement charging on public lands occupied without permission, in addition to commissioned development of public lands being under-utilized, and thereby contributing to promoting national property value and increasing national revenues by managing and developing national and provincial properties.
- 5.6 Since 2011, the Ministry of Economy and Finance took responsibility of managing public assets to control its overall supplies under a central post and made a special fund that was mandated to manage lands commonly shared by more than one Ministries or agencies. This fund, partially entrusted to KAMCO, enabled more efficient usage of idle lands, development of new public offices and additional acquisitions of public assets. Meanwhile in terms of ICT, South Korea has been ranked consecutively in the top three in the Global ICT Development Index (IDI) combining 14 indicators from the sectors of telecommunication, household/individual ICT data and education data since 2009. Against this backdrop, e-Government initiative was one of the top priorities for South Korean government and public agencies and KAMCO has engrafted various IT solutions when carrying out public asset management works and that includes Geographic Information System ("GIS"), mobile applications, and online

information access and transactions, all of which are designed to contribute to more transparent, efficient and value-added public services to its people. Also, KAMCO has been engaging with the beneficiary government through a consulting contract financed by ATN/KR-17951-RG, which has resulted in a high satisfaction from the recipient institution and thus triggered the request of this TC for continued support.

VI. Major issues

- 6.1 **Compatibility with Local Laws and Customs.** The project team has identified a moderate risk of managing compatibility with local laws and customs when it comes to adopting a new IT asset management system. To be specific, laws and regulations dealing with public asset management can vary compared to those in South Korea. These risks will be mitigated by the actions included in the project to improve the legal framework suitable for installing a new system combined with a thorough feasibility examination by the project team.
- 6.2 **Institutional Dispersion.** The risk rating is moderate. Ecuador does not have a specific or generally applicable law or regulation for the management of its public assets. The main regulation in this matter emanates from the Comptroller General of the State (CGE) and not from any specific institution; that is, because, in fact, there is no governing body for the management of public assets, being each entity responsible for the management of its assets. This way, administrative aspects of the Public Asset Management are regulated by the CGE, while the regulations of the MEF are related to the financial aspects. This way CGE is the body rector of the administrative aspects, while MEF it is of the financial aspects. On the other hand, SETEGISP has its own regulations and applies those of the CGE in a supplementary manner. The rest of the entities are governed only by that of CGE, in terms of Public Asset Management. Inefficiencies and confusions can be caused if the institutional framework for setting up the system is divided among those entities. These risks will be minimized by the fact that the project will improve stakeholder engagement and collaboration through joint training and dissemination of efficient asset management benefits and project advancements.
- 6.3 **Incomplete Cadasters and Land Registers.** SETEGISP generates and manages the Single Cadastre of State Real Estate, with information on the physical (land, construction and improvements or complementary works), legal and economic (cadastral appraisal sent by the Municipalities) characteristics. The geographic component is handled in QGIS. Currently this cadastre is not linked to the eSBYE (the Asset Module of the Assets and Inventory System and which is part of the Integrated Financial Management System of the MEF). SETEGISP points out that taking as a universe the data of the eSBYE provided by MEF, the percentage of registration in the cadastre is 78.25%.
- 6.4 **System Maintenance** Even after successfully launching systems tailored to Ecuador, the IT systems require a certain number of personnel trained with necessary skillset for continuous operation. To minimize these risks, the project team will elaborate on trial and errors and know-how accumulated through the past decade in training and dissemination courses. Prior to launching the systems, setting up the responsible operation and maintenance period, and preparation of extra training sessions will be settled to ensure the smooth operation of the systems.

VII. Exceptions to Bank policy

- 7.1 This TC does not identify any exceptions to Bank policy.

VIII. Environmental and Social Strategy

- 8.1 This TC will not finance feasibility or pre-feasibility studies of investment projects or associated environmental and social studies; therefore, it does not have applicable requirements of the Bank's Environmental and Social Policy Framework (MPAS).

Required Annexes:

[Request from the Client - EC-T1521](#)

[Results Matrix - EC-T1521](#)

[Terms of Reference - EC-T1521](#)

[Procurement Plan - EC-T1521](#)