

PERU

**MODERNIZATION OF THE PUBLIC FINANCIAL ADMINISTRATION
SYSTEM TO IMPROVE PUBLIC RESOURCE PROGRAMMING,
EXECUTION, AND REPORTING**

(PE-L1087)

LOAN PROPOSAL

This document was prepared by the project team consisting of Xavier Comas (ICF/ICS), Division Chief; Carlos Pimenta (ICF/ICS), Project Team Leader; Gonzalo Afcha (ICF/ICS); Marcio Cracel (ICF/FMM); Silvio Solarte (Consultant); Javier Urra (ICS/CPE); Axel Radics (FMM/CPE); German Zappani (PDP/CPE); Victor Escala (PDP/CPE); Paola Arrunategui (CAN/CPE); Javier Jimenez Mosquera (LEG/SGO); Valeria Wedolowski (ICF/ICS); Nathalie Hoffman (ICF/ICS); it was peer reviewed by Mario Sangines (ICF/ICF).

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ELECTRONIC LINKS	
REQUIRED	
1.	A. General project execution plan in Adobe Acrobat http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35330342 B. Annual work plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35370774
2.	A. Monitoring and evaluation arrangements http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35328998 B. Disbursement plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35329009
3.	Procurement plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35328942
4.	Safeguard policy filter report http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35329048
OPTIONAL	
1.	Itemized budget http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35328951
2.	Project risk evaluation http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35395299
3.	Project economic evaluation document (National Public Investment System (SNIP) profile) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35332065
4.	Fiduciary arrangements and requirements http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35329036
5.	Peru. Public Expenditure and Financial Accountability Report http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35329081

6. International evaluation of the integrated financial management system of the public sector (IGT SA–SIDEPRO Consortium, 2007)
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35334615>
7. Integrated financial management system–Functions and indicators
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35253322>
8. IDB technical note-Modernization plan for the integrated financial management system 2008
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35253343>
9. Survey. Integrated financial management system 2010
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35253329>
10. A. Fourth final report for the development of the conceptual model for Peru’s integrated financial management system (The Louis Berger Group, January 2010)
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35329087>
B. Fifth final report for the development of the conceptual model for Peru’s integrated financial management system (The Louis Berger Group, January 2010)
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35394911>
11. Third Programmatic Fiscal Management and Competitiveness Development Policy Loan. World Bank (in English)
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35329076>
12. Organizational Review of the Ministry of Finance and Economy of Peru. IMF 2007 (in English)
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35329088>
13. Reform of the legal framework and public financial management. IMF 2008
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35329089>
14. Selection of the most relevant laws for public sector financial management in Peru available at
www.mef.gob.pe
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35347520>
15. A. Project execution plan. Component I in Microsoft Project
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35330415>
B. Project execution plan. Component II in Microsoft Project
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35330419>
C. Project execution plan. Component III in Microsoft Project
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35330425>

ABBREVIATIONS

AWP	Annual work plan
BPM	Business Process Management
CUT	Cuenta Única del Tesoro [Master Treasury Account]
DGPP	Dirección General del Presupuesto Público [Public Budget Directorate]
DNCP	Dirección Nacional de Contabilidad Pública [National Public Accounts Division]
DNEP	Dirección Nacional del Endeudamiento Público [National Public Debt Division]
DNTP	Dirección Nacional del Tesoro Público [National Public Treasury Division]
IMF	International Monetary Fund
LIBOR	London Interbank Offered Rate
MEF	Ministry of Economy and Finance
OGIE	Oficina General de Informática y Estadística [General Information Technology and Statistics Office], MEF
OSCE	Organismo Supervisor de las Contrataciones del Estado [Government Procurement Supervisory Agency]
PEFA	Public Expenditure and Financial Accountability Report
SAFI	Comité de Coordinación de la Administración Financiera del Sector Público [Public Sector Financial Management Coordination Committee]
SERVIR	Autoridad Nacional del Servicio Civil [National Civil Service Authority]
SIAD	Sistema Integrado de Administración de Deuda [Integrated Debt Management System]
SIAF	Sistema Integrado de Administración Financiera [Integrated Financial Management System]
SIAF-SP	Sistema Integrado de Administración Financiera del Sector Público [Public Sector Integrated Financial Management System]
SIGA	Sistema Integrado de Gestión Administrativa [Integrated Administrative Management System]
SUNAT	Superintendencia Nacional de Administración Tributaria [National Tax Administration Service]
UCPS	Unidad de Coordinación de Préstamos Sectoriales [Sector Loan Coordination Unit]

PROJECT SUMMARY

PERU

MODERNIZATION OF THE PUBLIC FINANCIAL ADMINISTRATION SYSTEM TO IMPROVE PUBLIC RESOURCE PROGRAMMING, EXECUTION, AND REPORTING (PE-L1087)

Financial Terms and Conditions				
Borrower: Republic of Peru Executing agency: Ministry of Economy and Finance (MEF)			Amortization period:	25 years
			Grace period:	5 years
			Disbursement period:	5 years
Source	Amount	%	Interest rate:	LIBOR
			Inspection and supervision fee:	*
IDB (Ordinary Capital)	US\$20,000,000	90	Credit fee:	*
Local	US\$ 2,244,000	10	Currency:	U.S. dollars from the Single Currency Facility of the Bank's Ordinary Capital. Option for conversion to Peruvian nuevos soles: Local Currency Facility.
Total	US\$22,244,000	100		
Project at a Glance				
Project objective/description: The objective is to help make public management more efficient by modernizing financial management in the public sector through the development and introduction of tools and systems for programming, executing, and reporting on income, expenditures, and public financing, that are integrated and aligned with a measurement of outputs and outcomes.				
Special conditions precedent to the first disbursement: The project's general supervisor has been appointed (paragraph 3.4).				
Exceptions to Bank policies: None.				
Procurement: Project procurements will be carried out in accordance with Bank policies (documents GN-2349-7 and GN-2350-7).				
Project consistent with country strategy: <div style="display: flex; justify-content: space-around; width: 100%;"> Yes <input checked="" type="checkbox"/> [X] No <input type="checkbox"/> [] </div>				
Project qualifies as: <div style="display: flex; justify-content: space-around; width: 100%;"> SEQ <input type="checkbox"/> [] PTI <input type="checkbox"/> [] Sector <input type="checkbox"/> [] Geographic <input type="checkbox"/> [] Headcount <input type="checkbox"/> [] </div>				

* 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 the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. DESCRIPTION AND RESULTS MONITORING

A. General context, problems, and rationale

- 1.1 One of the main success factors in making public management more efficient in Latin America is the existence and operation of Integrated Financial Management Systems, which promote the recording of and access to good-quality, timely information to support decision-making in the allocation and spending of public resources.
- 1.2 Peru's current Public Sector Integrated Financial Management System (SIAF-SP) is a standard computerized system for recording and overseeing public spending. Its purpose is to manage the three basic processes of public financial management in all general government institutions (national, regional, and local): (i) programming the use of public funds; (ii) implementing the programming by managing income, expenditures, and financing; and (iii) reporting and accounting.
- 1.3 The Ministry of Economy and Finance of Peru (MEF) began to develop the SIAF-SP, with Bank support, in 1997. This process culminated in a unified version for the executing units of the national government and their temporary regional administration councils in 1999, covering the budgeting, treasury, and accounting processes. In January 2001, all the national government's executing units adopted the SIAF-SP (except for the Ministries of Defense and the Interior and the Intelligence Service) and in December 2002 it was adopted by the 26 recently created regional governments. Today, the SIAF-SP has been installed and is operating in about 2,400 public sector institutions, including all the executing units of the national and regional governments and in the 1,834 local governments.
- 1.4 In this historic rollout of the SIAF-SP, not only were public funds managed more efficiently, but also access to information by citizens increased with passage of the Transparency and Access to Public Information Act (Law 27806 of August 2002) which authorized public access to information from the SIAF-SP over the Internet.
- 1.5 The SIAF-SP is one of the main tools that contributed to significant advances in public financial management in Peru. However, it still presents some weaknesses that limit the handling of financial resources and efficiency in the management of expenditures. To correct these weaknesses and based on an independent international evaluation of the system ([optional link 6](#)), the MEF decided in 2008 to introduce a new Integrated Financial Management System (SIAF) rather than continue to invest heavily in repairing the existing system, since had it done so, this would have led to problems of integration and of technological architecture and high maintenance costs, and some important functions for managing spending would have been missing.
- 1.6 **Progress.** The main strengths of public financial management in Peru and of the current SIAF-SP are: (i) broad institutional coverage (in use by executing units in the national and regional governments and in budgets in local governments); (ii) reasonably consolidated budget in the system (financial programming and formulation); (iii) significant percentage of payments made electronically through

the banking system (38% of the total budget paid out not including municipal payment operations); (iv) Master Treasury Account (CUT) covers about 70% of the amount financed by the public sector budget; (v) public debt management system complete and in operation, chiefly in the national government; (vi) preparation of a proposal for new budget classification codes and a new government chart of accounts, harmonized with each other and with the 2001 Government Finance Statistics Manual of the International Monetary Fund (IMF), and design of the new table of operations, which can be extended to the new SIAF; and (vii) results-based budgeting, moving ahead gradually with different tools that are being consolidated.¹

- 1.7 **Challenges.** The main weaknesses of the SIAF-SP are: (i) it is mainly geared to financial records and control and not to management and support of more managerial decision-making; (ii) its client-server technology is out of date; (iii) the specific allocations to each of the operating units that report hierarchically to the executing units are not known, although there is 100% coverage of the executing units; (iv) other cross-cutting administrative systems are only partially integrated with the SIAF (procurement and contracting, investments, personnel, and management of fungible goods, services, and fixed assets); (v) accounting is not fully automated and requires an accountant to prepare many of the entries, and there is no module to consolidate accounting in the SIAF that takes into account operations between non-supervised entities; (vi) in public debt management, processes are not totally automated, and there is insufficient capacity in the regional and local governments to manage the debt; (vii) management of cash and the CUT is incomplete (not all bank accounts are in the system as virtual accounts, there is a lack of automatic daily bank reconciliation, and there are still some transfers being delivered upon request to the executing units and to some line units); (viii) there is scant capacity to generate financial simulations; (ix) classification codes are still not totally aligned to ensure that all the information captured and processed is interlinked automatically (budget, economic, institutional, chart of accounts, sources, and catalogue of goods and services); (x) public sector financial statements are consolidated manually; (xi) the system does not include a multiyear budget; and (xii) outputs and impacts are not fully measured and are not used as feedback for decision-making on spending allocation and program design.
- 1.8 As for the legal and institutional framework for managing public finances, the April 2009 Public Expenditure and Financial Accountability Report (PEFA) says that Peru generally has a good financial management framework and that the country's Constitution covers all basic aspects related to taxation, the public debt, government procurement, budget preparation and execution, and external control, which is complemented by different laws and decrees, including their enabling regulations, most of which have been issued in the last 10 years.

¹ The MEF has been applying results-based budgeting since 2007, through the design and implementation of specific instruments applicable to budget programming, formulation, execution, monitoring, and evaluation. Although impact evaluations must still be performed, this implementation has led to improvements in the results of designs and prioritization since 2008 (see www.mef.gob.pe).

- 1.9 PEFA's analysis of the management of public finances was used extensively in preparing the present project as regards credibility, transparency, universality, alignment with policies, and the certainty and control of budget execution as well as cash management, accounting, and other information records, and audits. In total, it includes 31 indicators, each composed of various subindicators, all of which are based on objective criteria and empirical and quantitative evidence and interviews ([optional link 5](#)).

B. Project strategy

- 1.10 In designing the project, consideration was given to the recommendations and lessons learned from: (i) reports on the preparation and execution of the programmatic series to improve the quality of public management and expenditure in Peru between 2005-2008 (loans 1699, 1805, and 932/OC-PE); (ii) PEFA; (iii) various IMF reports (2007 and 2008); (iv) the international study evaluating SIAF-SP (IGT SA-SIDEPRO Consortium, 2007); (v) final report for developing the conceptual model for Peru's SIAF (The Louis Berger Group, January 2010); and (vi) the feasibility study on the project required by Peru's National Public Investment System, among others. All of these documents are available in the project's technical files.
- 1.11 The international evaluation of the SIAF-SP completed in 2007 compared three options for a new system: (i) made-to-measure, (ii) adapting an off-the-shelf system; or (iii) improving the existing SIAF-SP. After one year of work with the evaluating firm and several discussion workshops (that involved the IDB, the IMF, and the World Bank), in 2008 the MEF decided on a made-to measure system using the Business Process Management (BPM) methodology, with a strategy not to develop it in-house (using its own staff or individual consultants). Instead consulting firms would be hired primarily to design and develop the system. This was to be complemented with a training program for MEF staff to incorporate the new technology—a prerequisite for then operating and maintaining the new system.
- 1.12 The option of developing a made-to-measure system (with the support of consulting firms) makes it possible to have financial management processes that are better aligned with the regulatory framework, and the recurrent operating, support, and maintenance costs are lower in the long run compared with the other two alternatives. Also, based on other cases in the region, the option of acquiring an existing system could increase the level of future dependence on a single supplier (the IGT SA-SIDEPRO Consortium's reports and the Bank's Technical Note that supported this process are available in the project's electronic links).
- 1.13 In 2009, funds from the Sector Facility to Improve the Quality of Public Management and Expenditure in Peru (loan 1696/OC-PE) were used to hire a consulting firm to develop the new conceptual model for the SIAF. The firm presented its final report in January 2010 on the development of a made-to-measure SIAF on a web platform using BPM methodology, which was reviewed by the Bank's project team and approved by the MEF.

- 1.14 The conceptual model included a detailed definition of processes for all the functions of the new SIAF (levels 1 and 2 of the BPM methodology). With support from the project team, the MEF has been carrying out a selection process, with funds from loan 1696/OC-PE, to hire a firm to develop the detailed functions and develop the computer module for budget programming for the new SIAF.
- 1.15 As for coordination with other international agencies, the project is aligned with the priorities of the World Bank's programmatic series of policy loans (Fiscal Management and Competitiveness Development Policy Loan), which recognizes the importance of the new SIAF throughout the reform process and supports implementation of the CUT, among other things. In addition, the IMF supported the MEF in 2009 in developing knowledge that was reflected in the conceptual model of the system and in this project.
- 1.16 Also, the project is consistent with the Bank's country strategy with Peru (document GN-2472-2) as it pertains to modernization of the national government and the consolidation of fiduciary and management systems. It is also consistent with the Institutional Strategy for Development and Social Welfare, in preparation in the Bank, which underscores the role of financial administrator in facilitating the design and implementation of public policies and for making public management more effective.

C. Objectives and components

- 1.17 The general objective of the project is to help make public management more efficient by modernizing financial management in the public sector through the development and introduction of tools and systems for programming, executing, and reporting on income, expenditures, and public financing, that are integrated and aligned with a measurement of outputs and outcomes.
- 1.18 To that end, the project was structured into three components: the first for the design, development, and implementation of the computerized financial management system; the second to build the MEF's financial management capacity; and the third, which focuses specifically on results-based budgeting as a government priority that is complementary to and integrated with the activities to modernize financial management.
- 1.19 **Component I. Modernization of public financial management processes and systems.** The objective is to design, develop, implement, and start up all the computerized modules of the new SIAF. The strategy is to hire a firm to develop the solution with a tool to be acquired under the consulting services on "detailed definition of the functional specifications and construction of a computerized solution in three processes in the SIAF-SP," in addition to developing systems for production, quality control, and training and implementation. The MEF, with support from the Bank, is already preparing the detailed documents² for the

² [Funcionalidades e indicadores de un modelo SIAF](#) [Public Sector Integrated Financial Management System–Functions and indicators], based on a [SIAF survey](#), developed by ICF/ICS in 2009-2010.

international selection of a firm and plans to begin the bidding process at the end of 2010 so that the firm can be hired at the start of project execution, estimated to be in early 2011. This component will have the following outputs:

- 1.20 Computerization of the budget programming macro-process: This includes the subprocesses of strategic planning, multiyear macroeconomic programming;³ formulation of multiyear current income and spending, and capital and financing budgets; and formulation of institutional annual work plans and budgets and changes thereto, on a results-oriented basis (complementing the activities mentioned in paragraph 1.14).
- 1.21 Computerization of the financial execution macro-process: This includes the subprocesses of programming income and scheduling the annual framework of budget credits from which expenditure commitments are made; commitment of duly substantiated expenditures; accrued expenditures from budget commitments; electronic payment of accruals; assessment and collection of revenue; administration of accounts and bank reconciliation of operations for the CUT; public debt management; and financial management of financing and public sector financial investments. The accounting framework to be developed is aligned with the budget classification codes, which are consistent with the IMF's 2001 Manual of Public Finance Statistics and will be based on accruals for expenditures and amounts earned for income.
- 1.22 Computerization of the accounting and reporting macro-process: This includes the subprocess of automating accounting entries; preparation of financial information on management results for reporting and accounting purposes; preparation of financial statements and the process of consolidating accounts; production of statistics on public finances and national accounts; and preparation of information on management results for reporting, monitoring, and evaluation purposes.
- 1.23 Computer infrastructure for the installation and operation of the new SIAF: This includes: (i) procurement of hardware, better connectivity, data migration, procurement of software licenses for design, development, and production; (ii) quality control of applications and interfaces; (iii) development of interfaces with the other public sector management systems (such as public investment, procurement and contracting, payroll and human resource management, administration of goods and assets, tax revenue, public records, and macroeconomic programming), and training for the introduction and use of the new system, with a view to promoting better integration among all the budget, financial, and economic information management processes. The MEF will define the processes and responsibilities for the interfaces of the new SIAF with the other public sector management systems and will continue to promote participation by the Office of the Comptroller General, considering that it is a very important user of

³ The first two subprocesses will be designed outside the new SIAF, consistent with the conceptual model prepared by The Louis Berger Group.

the system and employs it as the basis for its audits (the Office of the Comptroller has already developed a data mining system to utilize the SIAF's database).

- 1.24 **Component II. Building of institutional capacity for public financial management.** The objective is to support the MEF in its institutional strengthening policy, including consulting services and training for the review and implementation of new structures, systems, and working procedures required for the new SIAF. This component will also support management of change and avoid reform fatigue in the MEF, keeping employees motivated and promoting the external image of the reforms and improvements in financial management, linking the project to the country's development objectives. This component will have the following outputs:
- 1.25 Modernization of the National Public Treasury Division (DNTP): To implement the new functions in the new SIAF, the DNTP will have to be trained in the implementation and operation of the CUT, which will require modern financial management, owing to a greater concentration of liquidity in the Treasury. Through a better understanding of the business cycles of public institutions, the DNTP will prepare cash management forecasts for the short and medium terms, as well as design and operate new financial structures with the development and introduction of instruments and systems, such as financial and risk analysis methods, and money market mechanisms. This output will support studies, training, and certification in the area of treasury management and the development and implementation of new cash management processes, methods, and systems, such as: (i) study of the business cycles of public institutions and the impact on cash management; (ii) development of methods for the preparation of cash management forecasts; (iii) review and certification of internal treasury management processes; (iv) study and procurement of tools for implementing a risk analysis and financial investment area; and (v) training and certification of the treasurers of the executing units.
- 1.26 Strengthening the MEF's General Information Technology and Statistics Office (OGIE): OGIE will need to adapt its structure and boost its capacity for management, support, maintenance, and permanent updating of the new SIAF. This output will support the contracting of consulting services and training to bolster OGIE's activities, including a review of processes, procurement of software for testing and document management, and training in new methods and technologies.⁴
- 1.27 Operating review of the National Public Accounts Division (DNCP): The DNCP has made progress in recent years in harmonizing budget and accounting classification codes and with the new SIAF, accounts are expected to be generated with less involvement of accountants (automatic entries), which would allow the DNCP to devote more time to preparing and analyzing financial reports and the results of government actions. In addition, accounting functions will be adjusted as

⁴ Such as the Project Management Institute, Capability Maturity Model Integration, and Information Technology Infrastructure Library, which are primarily used for quality control of projects and systems development.

international accounting standards are adopted. This output will support the preparation of studies and accounting methods for consolidation, fixed assets, fiscal accounting statistics and others; the analysis and preparation of proposals for personnel restructuring and training and certification; and the design and implementation of reviews and standardized codes, such as: (i) development and implementation of new methods for integration and consolidation of accounting information; (ii) design and introduction of reviews and standardized accounting codes, including new concepts and methods for accounting records, with stress on the administration of assets, liabilities, and contingencies; (iii) study to improve the preparation of fiscal accounting statistics and the use of accounting to measure the results of government action; (iv) preparation of proposals to upgrade personnel in the accounting area; (v) dissemination, training, and certification of accountants; and (vi) evaluation of the cross-cutting systems for logistics and property management and their processes.⁵

- 1.28 Modernization of public debt management: Due to the development dynamics of the national and international financial markets, the National Public Debt Division (DNEP) needs updating in areas of financial management of the debt related to the new financial structures, financial analysis methods, risk management, and others. This output will support preparation of a diagnostic analysis of the functions of the Integrated Debt Management System (SIAD) and the preparation of proposals for its modernization, including a review of mechanisms and procedures for public debt management and an analysis of its operation on a web platform.
- 1.29 Review of regulations and other structures in the MEF: With the implementation of new macro work processes in the new SIAF, some gradual adjustments in the organizational structure of the MEF are recommended and possibly a revision of some of the legal and regulatory instruments related to budgetary, financial, accounting, and debt management. This output will support studies, analyses, and preparation of proposals for organizational restructuring and review of the regulations, including the identification of personnel requirements in the budgeting, financial, accounting, and debt areas, and will support specific training in those areas to better implement the new functions offered by the new SIAF. This output will be coordinated by the Vice Ministry of Finance.
- 1.30 Conversion of SIGA-MEF⁶ to a web platform: SIGA-MEF currently operates on a client-server platform. This output will finance the development of a new version of

⁵ From the standpoint of better operation of the institutions at the three levels of government and adequate integration with the cross-cutting financial management systems, through the SIGA-MEF application, an analysis will be performed of the set of processes in the SIAF and SIGA applications in relation to privately used Enterprise Resources Planning Software.

⁶ Integrated Administrative Management System (SIGA) developed by the MEF. This system is linked to the cross-cutting logistics and property management systems and covers programming processes, table of requirements, and management of goods, services, and fixed assets. It includes a module that supports operation of results-based budgeting.

SIGA-MEF with web deployment and interfaces with the new SIAF. This output will be coordinated by OGIE.

- 1.31 Studies for a unified system for payroll and human resources management: This output will support an inventory of current payroll and human resource management systems in budget units and public institutions and will prepare a strategy and a detailed conceptual model for the introduction of a new standardized system for common use, with a central database in this area for the general government.⁷ This output will be coordinated by the Public Budget Directorate (DGPP).
- 1.32 **Component III. Institutionalization of budget management tools to improve the quality of spending.** The objective is to institutionalize the measurement of outputs and impacts to strengthen decision-making on the allocation of resources in the design of budget programs. It includes developing and implementing new processes, methods, instruments, evaluations, and training in budget management by results. This component has the following outputs:
- 1.33 Development and institutionalization of budget management instruments: This output will support the development and introduction of a general methodological guide and other specific thematic guides to promote the restructuring of budget programs under an input-output logic chain, including tools for logical frameworks and the management of indicators and outcome targets, and mechanisms to prioritize spending, such as participatory budgeting. In addition, consulting services will be financed to strengthen monitoring and the technical assistance provided by the DGPP for budget units in the areas mentioned in this paragraph.
- 1.34 Training in budget management and results-based budgeting. To promote the use of the new budget management instruments, this output will support a broad training program in the budget units in areas such as integration of the logical framework in the budget formulation process, management of indicators and targets, appropriation of costs per output, and program structuring, etc.
- 1.35 Study to evaluate the use of the administrative management system in the results-based budgeting process, in order to set minimum standards for its interface with the SIAF: This output will finance the preparation of studies and discussions on administrative management systems to establish a strategy that permits public institutions to use these types of systems to complete the logical structure of budget formulation, integrated with the new SIAF, considering alternatives so that each institution's internal management can obtain comprehensive information that promotes the calculation of the costs of each product or service offered, the best use of resources, and more accountability in function of results.
- 1.36 Design of a database of results-based budgeting indicators: The DGPP has been supporting independent evaluations (10 of design and 2 of impact in 2010) and

⁷ Through the Institutional Capacity of State Division, the Bank prepared detailed technical comments on the payroll system, which can be consulted in a technical note in the project files.

plans to increase their number. This output will support the design of a database that makes it possible to conduct comparative assessments of implementation of selected programs.

D. Key indicators in the results matrix

- 1.37 The results matrix (Annex II) contains impact, goal, and purpose indicators. All have a baseline and target, and the reference source has been identified. The impact indicator corresponds to the one established in the Bank's strategy with the country.
- 1.38 The following are expected by the end of the project: (i) 100% of the national and regional government executing units and the budget units of the local governments record their financial transactions in real time through the new SIAF; (ii) the CUT has been fully implemented, with 95% of bank accounts transformed into virtual accounts in the new SIAF (there are currently about 21,000 accounts in Banco de la Nación); (iii) all the accounting entries not related to assets or liabilities or that are not adjustments are automatically generated by the system and the time required to prepare financial statements is shortened; (iv) coverage of results-based budgeting has increased (from 13% in 2010 to 38% in 2015, excluding financial and social spending by the general government); and (v) 100% of financial management staff in the public sector has been trained.
- 1.39 The main estimated impacts are: (i) improvement in the availability of information on resources received by service delivery units (PEFA ID-23 score rises from D to at least C); (ii) improvement in the quality and timeliness of in-year budget reports (PEFA ID-24 score rises from C+ to at least B+); (iii) improvement in management of the stock and monitoring of expenditure payment arrears (PEFA ID-4 score rises from C+ to at least B+); (iv) 100% of payments to employees, pensioners, suppliers, and contractors are made electronically directly into their bank accounts (today 38% are); (v) reduction in the average balance of public resources not in the CUT; and (vi) reduction in transaction costs with the simplification of administrative management in the executing units.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Cost and financing

- 2.1 The project will cost a total of US\$22.2 million, US\$20 million of which will be financed by the Bank from the Single Currency Facility of the Ordinary Capital, which will be subject to the Operational Framework for Lending in Local Currency (documents GN-2365-6 and GN-2365-12), and US\$2.2 million will be financed by the local contribution.⁸ The consolidated budget is presented in Table II-1 and the itemized budget is presented in [optional link 1](#). As explained in the preinvestment

⁸ This provides for the financing of taxes in accordance with the Country Financing Parameters for Peru and other applicable Bank policies.

study on project feasibility ([optional link 3](#)), the project will generate an estimated rate of return of 23%.

Table II-I

COMPONENT	IDB (US\$ thousands)	Local contribution (US\$ thousands)	Total (US\$ thousands)
<u>Component I:</u> Modernization of public financial management processes and systems	13,358	1,781	15,139
<u>Component II:</u> Building of institutional capacity for public financial management	2,910		2,910
<u>Component III:</u> Institutionalization of budget management tools to improve the quality of spending	2,795		2,795
Project administration and evaluation Auditing costs and contingencies	937	463	1,400
Total	20,000	2,244	22,244

B. Fiduciary and nonfiduciary risks

- 2.2 The project's risk classification is medium-low, according to the risk analysis performed and the content of the document on fiduciary arrangements and requirements. Procurement and financial management will be the responsibility of the Sector Loan Coordination Unit (UCPS), which is an ad hoc unit with broad experience with Bank policies and whose professional staff are experienced in this area, which makes it possible to initially establish that fiduciary risk in this area is low.
- 2.3 A risk management workshop was held in Lima in June 2010, following the Bank's methodology, with 32 participants who included the main institutional stakeholders involved in the project (such as users of the SIAF-SP, managers and employees from all the areas of the MEF linked to the project, members of the Task Force on Strengthening Management of Public Finances, and others), which identified the likelihood of the main project risks occurring and led to preparation of a mitigation plan that contains a breakdown of the risk analysis performed ([optional link 2](#)).
- 2.4 The areas identified during the risk analysis that were classified as having medium risk include: (i) the government transition after the end of July 2011; (ii) possible delays in contracting; (iii) problems with the company hired to develop the system; (iv) lack of master equipment in the MEF; (v) insufficient human resource counterpart in the MEF to cover the design, development, installation, and maintenance of the system; (vi) absence of suitable regulations for the redesign of processes in the new SIAF; and (vii) absence of interfaces between the SIAF and related systems (goods, human resources, investments, etc.). The corresponding mitigation measures were identified for each risk.

C. Environmental and social risks

- 2.5 The operation will support systems development and institutional strengthening (consulting services, training, and equipment) and no socioenvironmental risks are anticipated. Based on the Safeguards Policy Filter Report, the operation was classified as category “C”.

III. EXECUTION AND MANAGEMENT PLAN

A. Summary of execution mechanisms

- 3.1 **Borrower and executing agency.** The borrower will be the Republic of Peru and the executing agency will be the Ministry of Economy and Finance (MEF), which will act through the Sector Loan Coordination Unit (UCPS), which will be the administrative executing unit for the project. It has broad experience in executing projects of this kind with both the Bank and with other multilateral organizations. The General Information Technology and Statistics Office (OGIE) will lead the project’s technological aspects.
- 3.2 **Beneficiaries.** The MEF is the largest beneficiary as the SIAF steering agency since it concentrates all the public sector’s financial management systems and databases, including the budget, treasury, accounting, and debt areas. On the disaggregated level, the executing units of the three levels of government (national, regional, and local) will benefit. Complementarily, the other steering agencies that have links with the SIAF, such as the National Tax Administration Service (SUNAT), Banco de la Nación, the Government Procurement Supervisory Agency (OSCE), the National Civil Service Authority (SERVIR), the Office of the Comptroller General, and the National Property Administration. Lastly, the end beneficiaries will be all recipients of payments from the public sector (contractors and government employees) as a result of more efficient electronic payments, and all citizens in general thanks to better online access to and transparency in the country’s public accounts.
- 3.3 **Project technical coordination committee.** The Public Sector Financial Management Coordination Committee (SAFI) will act as the project’s technical coordination committee to coordinate the actions of the MEF lead agencies. SAFI was established in Law 28112 and is chaired by the Deputy Minister of Finance and composed of the heads of the lead agencies of each of its constituent systems (DGPP, DNTP, DNEP, and DNCP). Its purpose is to establish conditions that will promote the permanent integration of its functions and operations on the central and decentralized levels of public sector financial management. SAFI will approve the project’s annual work plans (AWPs) and guidelines to enable the UCPS to proceed with execution and any necessary adjustments to the AWP during a given year.
- 3.4 **Project general supervisor.** The Vice Ministry of Finance will appoint a project general supervisor who will have the following mandate: (i) to coordinate all the results and technical aspects of the project with the technical coordination

- committee, the directors of the DGPP, DNTP, DNEP, and DNCP, and with OGIE; (ii) to keep the technical coordination committee informed on implementation of the AWP; (iii) to promote the integration of the different activities and outputs and handle any coordination needs among the MEF's divisions; (iv) to coordinate with the UCPS the activities related to project execution; and (v) other responsibilities assigned by the technical coordination committee. **Official appointment of the project's general supervisor will be a condition precedent to the first disbursement of the loan.**
- 3.5 **Component coordinators.** Component I will be coordinated by the chief of SIAF (OGIE) and supported by a technical team consisting of an expert from each Vice Ministry of Finance division (DGPP, DNTP, DNEP, and DNCP). Component II will be coordinated by each director (DGPP, DNTP, DNCP, DNEP, and OGIE) and by the Vice Ministry of Finance, as pertinent; and Component III will be coordinated by the director of the DGPP. The persons in charge of the components (or whomever they designate for specific outputs) will be responsible for technical acceptance of the deliverables and will report to the project's general supervisor.
- 3.6 **Administrative executing unit.** The Sector Loan Coordination Unit (UCPS) will be responsible for project administration and will serve as interlocutor with the Bank. The UCPS, which was created under Decree Law 25535, acts as technical liaison with multilateral organizations and has the functions of coordination and monitoring compliance with the commitments made in the reform programs linked to adjustment loans, and executive management of technical assistance projects, support programs, and grants associated with them. During 2008 and 2009, the UCPS was responsible for executing 10 projects financed in full or in part by the IDB, the World Bank, and the Andean Development Corporation.
- 3.7 To carry out its functions, the UCPS will have a group of qualified experts and its functions will include: (i) administering the financial resources from the financing; (ii) planning execution of the project and the AWP; (iii) coordinating the responsible parties, by component, for implementation of the project as regards selection and contracting of consultancies and services, and/or the procurement of goods; (iv) preparing and updating the Procurement Plan; (v) supervising progress in project execution; (vi) tracking and monitoring progress on consulting contracts and procurement of goods; (vii) preparing and processing the corresponding payments and adequate filing of project documentation in accordance with pertinent provisions; (viii) preparing financial statements and disbursement requests; and (ix) monitoring and evaluating project execution. The UCPS will provide at least one administrative specialist full time for the project and other supports needed to carry out the responsibilities mentioned in this paragraph.
- 3.8 **Project execution plan.** The project execution plan sets out the main actions, responsibilities, and programmed dates. It contains the same level of detail as the AWP for each of the five years of execution ([required link 1.A](#)).

- 3.9 **Fiduciary arrangements and requirements.** The fiduciary arrangements and requirements reflect the financial management and procurement guidelines to be applied for project execution. They have been developed on the basis of the analysis of the fiduciary context of the country and the executing agency, the institutional analysis of the administrative executing unit, and the risk workshop. The Bank's experience working with the MEF has also been taken into account. Although the results of PEFA and the Bank's fiduciary analysis indicate that in general the country's financial management systems are adequate and reliable, some weaknesses were identified which the present project is expected to correct, so that the new SIAF can also be accepted by the Bank for the financial execution of its future operations ([optional link 4](#)).
- 3.10 **Procurement plan.** The procurement policies that will govern the operation will be those established in Bank documents GN-2349-7 and GN-2350-7. The plan lists all project procurements and provides a breakdown of: (i) the contracts for goods, nonconsulting services, and consulting services required to carry out the project during the five years of execution; (ii) the proposed methods for contracting goods and nonconsulting services and for the selection of consultants; and (iii) the Bank's procedures for examining the contracts. In view of the project dynamics and the risk assigned to it, the borrower will update the procurement plan semiannually or when substantial changes occur. All proposals for changes will be presented to the Bank for approval. Procurements of goods and services have been packaged together to reduce the number of bid processes. The Bank will use ex post review ([required link 3](#)).
- 3.11 **Disbursements.** Disbursements will be made based on the project's real liquidity needs. The project disbursement plan ([required link 2.B](#)) contains an estimate of disbursements for the 60-month project disbursement period and can be updated annually. The executing agency will present disbursement requests to the Bank together with a plan for spending on activities in the AWP in the next 90 days. A minimum of 80% of disbursements will need to be justified at the time the next request is made. The supporting documentation for expenditures will be reviewed ex post by Bank staff and/or consultants and by the external auditors. Reports will be prepared on each ex post review visit. Expenditures that are not eligible for funding by the Bank will be repaid with the local contribution or with other funds, depending on the nature of eligibility.
- 3.12 **External audits.** During the project, the executing agency will present the project's audited financial statements annually. External audits will be performed by independent auditors acceptable to the Bank, in accordance with Bank requirements and based on terms of reference approved in advance by it. The costs of the audits will be financed from the counterpart.
- B. Summary of monitoring and evaluation arrangements**
- 3.13 **Monitoring by the executing agency.** To monitor the project, the executing agency will use the following documents: (i) the results matrix (Annex II); (ii) the

project execution plan; (iii) the monitoring and evaluation arrangements ([required link 2.A](#)); (iv) the procurement plan; (v) the risk matrix (Appendix I); and (vi) the project disbursement plan. The UCPS will prepare semiannual reports for review by the Bank.

- 3.14 **Monitoring by the Bank.** The Bank will carry out administration missions or inspection visits, depending on the size and complexity of project execution, following a timetable established in the project execution plan, which identifies the times when technical supervision by the Bank is necessary. The Bank will use the progress monitoring report (PMR) which contains a tentative estimate of disbursements and compliance with physical targets and results to evaluate project performance.
- 3.15 **Evaluation.** For project evaluation, the executing agency will use the results matrix (Annex II) and the project monitoring and evaluation arrangements. The project execution plan identifies the milestones corresponding to evaluation activities. Midterm and final evaluations are planned. The midterm evaluation will be conducted at the end of 18 months of execution (from the date the contract becomes effective) and the final evaluation when 95% of the loan has been disbursed. They will be performed by a consultant (financed with loan proceeds) who will prepare a consolidated final report using the baselines, the evaluations of each component, and of the information to be compiled as stipulated in the results matrix, and the monitoring and evaluation arrangements.

Development Effectiveness Matrix
Summary

Indicator	Score	Maximum Score
<i>I. Strategic Relevance</i>	Low-High	
1. IDB Strategic Development Objectives	1.2	10
Country Diversification	0.7	2
Corporate Initiatives	0.0	2.5
Harmonization and Alignment	0.5	3.5
Beneficiary Target Population	0.0	2
2. Country Strategy Development Objectives	7.8	10
Country Strategy Sector Diagnosis	4.2	6
Country Strategy sector objective & indicator	3.6	4
<i>II. Development Outcomes - Evaluability</i>	Highly Satisfactory	
3. Evidence-based Assessment & Solution	8.9	10
4. Evaluation & Monitoring Plan	5.6	10
5. Cost-Benefit or Cost-Effectiveness	7.0	10
6. Risks & Mitigation Monitoring Matrix	7.5	10
<i>III. IDB's Role - Additionality</i>		
7. Additionality	7.0	10
Technical Assistance provided prior the project	3.0	3
Improvements in management of financial, procurement, monitoring or statistics internal controls	4.0	4
Improvements in environmental, health and labor performance	0.0	3

I. Strategic Relevance: The project is an investment operation in Peru, a B country.group. It is not aligned to the Bank's corporate initiatives. The project will use the countries Monitoring and Evaluation System, but there is no evidence of use of other country systems. The program is aligned with the Bank's Country Strategy objective and indicator.

II. Evaluability: The project is based on a thorough diagnostic of Peru's SIAF. The diagnostic identifies the main deficiencies of the current processes and systems, and provides magnitudes for almost all of them. A cost-effectiveness analysis was conducted prior to project design to determine the type of system development solution that would be supported. Four options were analyzed, all of the leading to the same outcome in terms of efficiency gains. The project has a good set of indicators for measurement of outcomes, although the PEFA indicators would be better presented as the actual quantitative levels and not the grades assigned. Products are clearly stated, however, the vertical logic is not clear, as the outputs from component II that will be needed inputs to develop an effective information solution (component I) are not spelled out. All indicators are SMART. One outcome indicator is lacking a baseline (number of accounts in the Single Treasury Account). The project includes an ERR for some of its components (STA and information system integration) estimated at 23%. The evaluation is reflexive, but there is no an specific evaluation and monitoring plan. There is also no budget for monitoring, although there is a budget to hire intermediate and final project execution evaluations.

Additionality: The Bank supported a technical cooperation and consultancy to the preparation of the SIAF evaluation, the survey of SIAFs in the Region, the preparation of the PEFA, and the action plan to strengthen the SIAF, among others. In addition the project will provide improvements to the management of other investment programs by supporting the MEF and public sector entities in improving their capacity to program and execute resources.

**MODERNIZATION OF THE PUBLIC FINANCIAL ADMINISTRATION SYSTEM TO IMPROVE PUBLIC RESOURCE PROGRAMMING, EXECUTION, AND REPORTING
(PE-L1087)**

RESULTS MATRIX

Objective: To help make public management more efficient by modernizing financial management in the public sector

Indicator	Unit of measure -ment	Baseline		Target		Source/means of verification	Comments
		Value	Year	Value	Year		
Expected Impact: More efficient public management in Peru							
Indicator of government efficiency used in the Bank’s country strategy with Peru	Quartile	4	2006	3	Average 2014-2017	World Economic Forum	Peru ranked 96th among 125 countries in the efficiency of public management in 2006 (in the fourth quartile between 75% and 100% of the world ranking for this indicator) and is expected to improve to the third quartile range (between 50% and 75% in the world ranking for this indicator).
Expected results: Better public financial management							
Quality and timeliness of in-year budget reports (PEFA indicator 24)	Indicator rating	C+	2009	B+	2014	PEFA	Public Expenditure and Financial Accountability Report (PEFA)
Availability of information on resources received by service delivery units (PEFA indicator 23)	Indicator rating	D	2009	C	2014	PEFA	Public Expenditure and Financial Accountability Report
Management of the stock and monitoring of expenditure payment arrears (PEFA indicator 4)	Indicator rating	C+	2009	B+	2014	PEFA	Public Expenditure and Financial Accountability Report
Cost of support for operating the SIAF	Soles	-	2010	19 mil -lion less	2014	Feasibility study and final evaluation	A feasibility study survey identified that the 113 residents who support SIAF-SP operations devote 41.5% of their time to technological support (mainly to maintain the client-server platform which will be transformed into a web platform). Adding other costs of the executing units (travel to Lima, telephone, correspondence, etc.) that will be lower with the new web version of SIAF, a reduction of 2.3 million soles a year in the cost of support is estimated starting in 2014 (calculated on the basis of the average salary of the residents) and of 16.7 million soles a year in other costs (calculated on the basis of the social value of the time established in the National Public Investment System (SNIP) and monetary savings).

Indicator	Unit of measure -ment	Baseline		Target		Source/means of verification	Comments
		Value	Year	Value	Year		
Coverage of public sector electronic payments	%	38	2009	90	2014	MEF data and final evaluation	Defined as payments to employees, pensioners, service providers, and contractors made electronically and paid directly into their bank accounts divided by total payments.
Percentage of total bank accounts incorporated into the Master Treasury Account (CUT)	%	0	2010	95	2014	DNTP-MEF statistics	The National Public Treasury Division (DNTP) estimates that 21,000 government bank accounts in Banco de la Nación are not incorporated into the CUT. In all, 95% of these bank accounts will be transformed into virtual accounts in the new SIAF in 2014.
Percentage of accounting entries automated (not linking income and spending to assets and liabilities and not adjustments)	%	0	2009	100	2014	DNCP-MEF and final evaluation	The National Public Accounts Division (DNCP) of the MEF currently generates many accounting entries in which accountants are directly involved. The new SIAF will permit accounting entries to be generated automatically.
Timeliness of financial statements (time required to prepare and submit midterm and annual financial statements to the MEF)	Days	30	2009	15	2014	DNCP-MEF and final evaluation	Times will be monitored by the National Public Accounts Division of the MEF.
Coverage of results-based budgeting compared to total nonfinancial and nonsocial spending in the general government budget	%	13	2009	38	2015	DGPP-MEF	The Public Budget Directorate calculates the coverage of results-based budgeting.

OUTPUTS

Output	Unit of measurement	Baseline	Year 1	Year 2	Year 3	Year 4	Target
Component 1							
Macro budget programming process computerized and implemented	Macroprocess	0	0	1	0	0	1
Macro financial execution process computerized and implemented	Macroprocess	0	0	0	1	0	1
Macro accounting and reporting process computerized and implemented	Macroprocess	0	0	0	1	0	1
Servers procured (large capacity computers)	Servers	0	0	7	6	0	13
Database production and management software procured	Software	0	9	8	2	0	19
Computer equipment procured	Computers	0	0	500	500	0	1,000
Employees of executing and operating units trained to operate the new SIAF	Employees trained	0	300	300	2,500	2,500	5,600
Component 2							
Documents containing studies to build capacity in the MEF prepared and approved	MEF documents	0	2	3	2	1	8
Documents on methods and process reviews for the MEF prepared and approved	MEF documents	0	3	4	3	2	12
MEF employees trained in specific areas of treasury, accounting, budget and public debt management	Employees trained	0	0	15	20	15	50
SIGA-MEF (Integrated Administrative Management System) on a web platform with interfaces with the new SIAF developed and ready to operate	System	0	0	0	1	0	1
Strategy to introduce the new payroll and human resource management system in budget units and public agencies prepared	Strategy	0	0	1	0	0	1
Component 3							
Methodological guides to promote the restructuring of budget programs under an input-output logic chain prepared	Methodological guides	0	2	3	3	2	10
Employees trained in budget management and results-based budgeting	Employees trained	0	300	300	300	300	1,200
Study evaluating administrative management systems completed	Study	0	0	1	0	0	1
Design of a database of results-based budgeting indicators that have implemented results-based budgeting developed	Evaluations	0	0	1	0	0	1

**MODERNIZATION OF THE PUBLIC FINANCIAL ADMINISTRATION SYSTEM TO IMPROVE PUBLIC
RESOURCE PROGRAMMING, EXECUTION, AND REPORTING
(PE-L1087)**

SUMMARY PROCUREMENT PLAN

Description of the planned procurement	Estimated amount (US\$ thousands)	Selection method	Prequalification Yes - No
Goods			
Implementation of SIAF II (hardware and software)	3,898.4	ICB/DC*	NO
Procurement of tools to implement a risk analysis and financial investment area	250	ICB	NO
Firms			
Design, development, and support for implementing SIAF II	8,900	QCBS	NO
Support for the review of regulations and other MEF structures: (i) studies, analysis, and preparation of proposals for organizational restructuring; (ii) regulatory review; (iii) identification of personnel requirements in the budget, financial, and accounting areas; and (iv) specific training to take full advantage of the new functions offered by SIAF II	500	QCBS	NO
Support for the preparation of a diagnostic analysis of the functions of the Integrated Debt Management System (SIAD) and preparation of proposals for its modernization, including a review of public debt management mechanisms and procedures and an analysis of its operation on a web platform	70	QCBS	NO
Transformation of SIGA-MEF to a web platform	500	QCBS	NO
Studies for a unified management system for payroll and human resources (inventory human resource systems, strategy and conceptual design)	500	QCBS	NO
Institutionalization of budget management instruments	540	QCBS	NO
Training in budget management and results-based budgeting	1,180	QCBS	NO
Study to evaluate the use of SIGAs	200	QCBS	NO
Independent program evaluations	875	QCBS	NO
Evaluation of project execution	200	QCBS	NO
Audits	100	LCS	NO
Individuals			
Introduce Capability Maturity Model Integration (CMMI), Project Management Institute counterpart group and Service Oriented Architecture – Business Process Management (SOA-BPM) testing and training and implementation (performed by the MEF) (75 individual consultants)	1,891	LOI	NO
Study of business cycles in public institutions and the impact on cash management	30	LOI	NO
Development of methods for the preparation of cash management forecasts	70	LOI	NO
Review and certification of internal treasury management processes	120	LOI	NO
Training and certification of the executing unit treasurers	100	LOI	NO
Strengthening OGIE for SIAF II	200	LOI	NO
Building capacity in DNEP in areas related to the new financial structures and financial analysis and risk management methods	30	LOI	NO
Development and implementation of new methods for the	90	LOI	NO

Description of the planned procurement	Estimated amount (US\$ thousands)	Selection method	Prequalification Yes - No
integration and consolidation of accounting information			
Design and implementation of reviews and standardized accounting codes, including new concepts and methods for accounting records, for the administration of assets, liabilities, and contingencies	140	LOI	NO
Study to improve the preparation of accounting-fiscal statistics and the use of accounting to measure the results of government action	70	LOI	NO
Preparation of proposals to train personnel in the accounting area	50	LOI	NO
Dissemination, training, and certification of accountants	150	LOI	NO
Evaluation of cross-cutting systems for logistics and equity control and their processes	40	LOI	NO
Administrative and financial execution (UCPS consultants)	600	LOI	NO

* Project 1696/OC-PE (Institutional Sector Facility to Improve the Quality of Public Management and Expenditure) is contracting improvements in Peru's Public Sector Integrated Financial Management System (SIAF-SP) that are in line with the requirements of the new SIAF which consists of a detailed definition of functional specifications and construction of three processes in the macroprocess of programming the SIAF-SP. Execution of this contract will use a technological platform (type and brand of BPM tool proposed by the winning consulting firm). Accordingly, implementation of the rest of the system, which will be financed under the present operation, will be executed on the same technological base to ensure technical compatibility and will have to directly contract expansion of the BPM tool used.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-_____/10

Peru. Loan ____/OC-PE to the Republic of Peru
Modernization of the Public Financial Administration System to Improve the Programming,
Execution, and Accountability of Public Resources

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 to cooperate in the execution of a modernization of the public financial administration system to improve the programming, execution, and accountability of public resources. Such financing will be for an amount of up to US\$20,000,000 from the Single Currency Facility of the Ordinary Capital resources of the Bank, 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 _____ 2010)

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