

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	PERU/CAN - Andean Group
▪ TC Name:	Support in the Preparation of the Project for the Improvement of the Integrated Financial Management System – Public Resources
▪ TC Number:	PE-T1411
▪ Team Leader/Members:	PEREZ RINCON, BELINDA (IFD/FMM) Team Leader; ZALTSMAN, TEODORO ARIEL (IFD/FMM) Alternate Team Leader; CANILLAS GOMEZ, MARIANA BELEN (IFD/FMM); LARIOS, JOSE I. (IFD/FMM); MILICICH NIETO-POLO, ALLIZON PATRICIA (VPC/FMP); DEL MONTE, GABRIELE MARIA (VPC/FMP); JIMENEZ MOSQUERA, JAVIER I. (LEG/SGO); CHAMPI TICONA, DIANA CARLA (IFD/FMM)
▪ Taxonomy:	Operational Support
▪ Number and name of operation supported by the TC:	Project for the Improvement of the Integrated System of Financial Management - Public Resources-PE-L1251 - Support for Preparation
▪ Date of TC Abstract:	13 Jun 2019
▪ Beneficiary:	Ministry of Economy and Finance (MEF)
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	\$ 200,000.00
▪ Local counterpart funding:	\$ 0.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	Fiscal Management Division
▪ Unit of Disbursement Responsibility:	Country Office Peru
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; Institutional capacity and rule of law

II. Objective and Justification

- 2.1 The objective is to contribute to the integrality and management approach of the systems that make up Peru's Integrated Financial Management System of Public Resources (SIAF-RP), whose core component and interoperability will be developed through the Project for the Improvement of the Integrated Financial Management System —Public Resources (PE-L1251).
- 2.2 The TC is aligned with the Update to the Institutional Strategy 2010-2020 (AB-3008) and is aligned with the development challenge of productivity and innovation. It is also aligned with the cross-cutting theme of institutional capacity and rule of law. At the same time, it is also aligned with the objectives of the Institutional Strengthening Fund.
- 2.3 The Bank has supported the development of the Peru's SIAF since it was first established in 1997. SIAF operates in the three levels of government (central, regional and local), as well as in over 3,000 public sector institutions. The Bank's support has been channeled through different loan and Technical Cooperation (TC) operations, which include, among others, investment loans 1437/OC-PE and 2445/OC-PE, 1696/OC PE, and policy-based loans 1699/OC-PE, 1805/OC-PE and 932/OC PE.
- 2.4 In September 2018 the Government of Peru issued a set of Legislative Decrees (DLs) aimed at modernizing all the administrative systems of the State, in order to establish

the basic rules of the Public Sector's Financial Management (AFSP) with a view to an integrated and efficient management, following an intersystem approach (see DLs 1432, and 1436 1442). According to DL 1436, the AFSP is composed of 7 systems: (i) Public Budget; (ii) Treasury; (iii) Public Debt; (iv) Accounting; (v) Supply Chain; (vi) Multi-annual Investment Programming and Management; and (vii) Fiscal Management of Human Resources.

- 2.5 This new legal framework introduces a management and process approach to all AFSP systems, as well as new management instruments, among which the following stand out: an adaptation of the institutional coverage between the different systems that make up the AFSP, multi-year programming, the regulation of results-based budgeting, and an integrated approach to the management of the state's financial assets and liabilities. DL number 1436 provides for the creation of a mandatory informatic system for public sector entities, called SIAF-RP, which will provide support to all the processes and procedures of the AFSP, ensuring the integration of the information it administers.
- 2.6 The current SIAF has a high level of atomization among the different systems that make up the AFSP. A vast amount of budgetary and financial information is available; however, this information is offered in a fragmented form and, in some cases, it is generated based on manual consolidation processes. The implementation of the AFSP's reform also requires the MEF to provide a set of operational, technological, and security services of a transversal nature to the entire State.
- 2.7 In order to implement the legal reform described above, the MEF requested Bank support to finance a new loan operation (project PE-L1251, mentioned above) which aims to finance the modernization of the basic core of the SIAF-RP (which includes the systems of Budget, Debt, Treasury and Accounting) and its integration with the systems of Supply Chain, Multiannual Investment Programming and Management, and Fiscal Management of Human Resources. The latter are being or will be, in turn, supported by three other Bank loan operations: 4428/OC-PE and 4829/OC-PE, currently under execution, and PE-L1250, which is under preparation.
- 2.8 The design of the new loan operation requires the inputs that this TC proposes to finance, and which are detailed in the following section. A crucial precondition to ensure the integrality and management focus of AFSP's support systems is having a conceptual model of the systems to guide the execution of the different projects and to establish clearly the interoperability of all the systems.

III. Description of Activities and Outputs

- 3.1 The TC has the following two components:
- 3.2 Component 1. Conceptual Model of the SIAF-RP (US\$146,050): (i) conceptual model that contains the "As Is" and "To Be" analysis of the macroprocesses that make up six of the seven systems of the SIAF-RP of the SIAF-RP (i.e., all but the Supply Chain one) and the interactions between the informatic system that supports it and the informatic applications of the remaining systems that make up the AFSP, under a phased implementation approach; and (ii) validation workshops for "To Be" models.
- 3.3 Component 2. Diagnosis, Dimensioning and Implementation Plan (US\$53,950): A study that will contain: (i) diagnosis of the integrated system's users, of the service itself and of the service provider, that will be structured according to the methodology of Invierte.pe (includes the undertaking of surveys with technological and functional users of the existing systems and applications); (ii) dimensioning of the project based on the supply and demand of the services, and determination of the technical solution; and (iii) analysis and evaluation of technological alternatives (including cost determination), new organizational design of the MEF's technological support function and its implementation plan for the project.

- 3.4 As part of Component 1, it would be necessary to also design the conceptual model of the Supply Chain system as well as the technology architecture of the SIAF-RP, which would imply an additional cost of US\$69,200. Therefore, the TC project team will attempt to obtain an increase in the amount of IDB funding requested in this proposal.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Conceptual Model of the SIAF-RP	\$ 146,050.00	\$ 0.00	\$ 146,050.00
Diagnosis, Sizing and Implementation	\$ 53,950.00	\$ 0.00	\$ 53,950.00

V. Executing Agency and Execution Structure

- 5.1 The TC will be executed by the Bank through its Country Office in Peru.
- 5.2 At the request of the MEF, it is proposed that the Bank execute this TC since the MEF does not have the necessary operational capacity to execute the activities to be financed within the short time period available for the preparation of the new investment loan operation (Project for the Improvement of the Integrated Financial Management System - Public Resources, PE-L1251).

VI. Project Risks and Issues

- 6.1 Lack of availability of consultants with the specific expertise and level of experience required to complete the TC's products in the short period of time available for the preparation and approval of project PE-L1251 (since the Bank operations that support the development of the other SIAF-RP systems are more advanced, it is necessary that both the PE-L1251 project and the other projects are already in execution or in start-up phase in the first half of 2020). This risk will be mitigated through the following measures: (i) giving wide dissemination to the search of said consultants and offering them the possibility of having the support of one or two more junior consultants, who would also be financed by the TC; and (ii) ensuring the participation of public officials representing the various governing units of the AFSP systems subject to reform.
- 6.2 Insufficient collaboration with the TC project by the entities from which information and inputs will be needed in order to complete the products of the TC. This risk will be mitigated by the high priority assigned by the Vice Ministry of Finance to both the PE-L1251 project and this TC. By provision of DL 1436, the Vice Ministry of Finance presides the governance of the entire AFSP and the development of the SIAF-RP System will be under its direct orbit.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "C".