

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**PERU**

**IMPROVEMENT OF THE PUBLIC SUPPLY SERVICE FOR  
GOODS, SERVICES, AND WORKS**

**(PE-L1250)**

**LOAN PROPOSAL**

This document was prepared by the project team consisting of: Alexandre Veyrat-Pontet (IFD/ICS), Project Team Leader; Mariano Lafuente (IFD/ICS) and Ana Cristina Calderón (IFD/FMM), Alternate Project Team Leaders; Edgardo Mosqueira, César Rivera, Mauricio García Mejía, and Sonia Rojas (IFD/ICS); Belinda Pérez (IFD/FMM); Carolina Méndez (SCL/EDU); Rita Sorio (SCL/SPH); Jaime Fernández-Baca and Claudia Hernández (CSD/CCS); Gastón Pierri (SPD/SDV); Yesimer Gamboa (CAN/CPE); Horacio Mendoza (LEG/SGO); Abel Cuba (CAN/FMP); Freddy Andara (CAN/FMP); and Horacio Nemeth, Juan Eberhard, Patricia Nardelli, and Denisse Wolfenzon (consultants). The team thanks Juan Cruz Vieyra (IFD/ICS) for his valuable comments.

This document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

## CONTENTS

### PROJECT SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING.....	1
A.	Background, problem addressed, and rationale.....	1
B.	Objectives, components, and cost.....	10
C.	Key results indicators .....	12
II.	FINANCING STRUCTURE AND MAIN RISKS.....	13
A.	Financing instruments .....	13
B.	Environmental and social safeguard risks.....	14
C.	Other key risks and issues.....	14
III.	IMPLEMENTATION AND MANAGEMENT PLAN .....	15
A.	Summary of implementation arrangements .....	15
B.	Summary of arrangements for monitoring results .....	18

## APPENDICES

Proposed resolution

ANNEXES	
Annex I	Development Effectiveness Matrix – Summary
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

LINKS	
<b>REQUIRED</b>	
1.	<a href="#">Multiyear execution plan and annual work plan</a>
2.	<a href="#">Monitoring and evaluation plan</a>
3.	<a href="#">Procurement plan</a>
<b>Optional</b>	
1.	Project economic analysis
1.A	<a href="#">Report</a>
1.B	<a href="#">Spreadsheet</a>
2.	<a href="#">Project Operations Manual</a>
3.	<a href="#">Gender and diversity annex</a>
4.	<a href="#">Process inventory</a>
5.	<a href="#">International experiences in public supply</a>
6.	<a href="#">SNA reference framework for ensuring complementarity of its support systems with the Integrated Financial Administration System (SIAF) for the public sector</a>
7.	<a href="#">Itemized budget</a>
8.	<a href="#">Environmental and social safeguard policy filter and safeguard screening form report</a>

## ABBREVIATIONS

AFSP	Administración Financiera del Sector Público [Public Sector Financial Administration]
CAP	Cadena de Abastecimiento Público [Public Supply Chain]
CGR	Contraloría General de la República [Office of the Comptroller General of the Republic]
CONOSCE	Sistema de Inteligencia de Negocios del Organismo Supervisor de las Contrataciones del Estado (OSCE) [Business Intelligence System of the Government Contracting Supervision Agency (OSCE)]
CUBSO	Catálogo Único de Bienes, Servicios y Obras [Single Price List of Goods, Services, and Works]
DGA	Dirección General de Abastecimiento [Directorate General of Supply]
DIGEMID	Dirección General de Medicamentos, Insumos y Drogas [Directorate General of Medicine, Supplies, and Drugs]
ICB	International competitive bidding
IFD/ICS	Innovation in Citizen Services Division
INEI	Instituto Nacional de Estadística e Informática [National Institute of Statistics and Information Technology]
IT	Information technology
MEF	Ministry of Economy and Finance
NCB	National competitive bidding
OGIP	Oficina General de Inversiones y Proyectos [General Office of Investment and Projects]
OGTI	Oficina General de Tecnologías de la Información [General Office of Information Technology]
OECD	Organisation for Economic Co-operation and Development
OSCE	Organismo Supervisor de Contrataciones del Estado [Government Contracting Supervision Agency]
PCM	Presidencia del Consejo de Ministros [Presidency of the Council of Ministers]
PCU	Project coordination unit
QCBS	Quality- and cost based selection
SBN	Superintendencia Nacional de Bienes Estatales [National Superintendency of Government Assets]
SERVIR	Autoridad Nacional de Servicio Civil [National Civil Service Authority]
SIAF	Sistema Integrado de Administración Financiera [Integrated Financial Administration System]
SIAF-RP	Sistema Integrado de Administración Financiera para Recursos Públicos [Integrated Financial Administration System for Public Resources]
SIAF-SP	Sistema Integrado de Administración Financiera para el Sector Público [Integrated Financial Administration System for the Public Sector]

SINABIP	Sistema de Información Nacional de Bienes Estatales [National Government Assets Information System]
SISMED	Sistema de Información de Precios de Medicamentos [Medicine Price Information System]
SNA	Sistema Nacional de Abastecimiento [National Supply System]
UIT	Unidad impositiva tributaria [Peruvian tax unit]
VMH	Viceministerio de Hacienda [Office of the Deputy Minister for Finance]

## PROJECT SUMMARY

### PERU IMPROVEMENT OF THE PUBLIC SUPPLY SERVICE FOR GOODS, SERVICES, AND WORKS (PE-L1250)

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility <sup>(a)</sup>	
Republic of Peru			Amortization period:	16 years
Executing agency:			Disbursement period:	5 years
Ministry of Economy and Finance (MEF)			Grace period:	9 years <sup>(b)</sup>
Source	Amount (US\$)	%	Interest rate:	SOFR-based
IDB (Ordinary Capital):	50,000,000	72	Credit fee:	(c)
			Inspection and supervision fee:	(c)
Local:	19,423,303	28	Weighted average life:	11.75 years
Total:	69,423,303	100	Currency of approval:	U.S. dollars
Project at a Glance				
<b>Project objective/description:</b> The general development objective of the project is to improve the quality of the public supply service for goods, services, and works. The specific development objectives of the project are: (i) to improve efficiency in the National Supply System (SNA); (ii) to narrow the knowledge gaps of public servants working in supply; and (iii) to improve accountability to citizens.				
<b>Special contractual conditions precedent to the first disbursement of the financing:</b> As special contractual conditions precedent to the first disbursement, the borrower, either itself or through the executing agency, will provide evidence of: (i) approval of the project <a href="#">Operations Manual</a> on the terms previously agreed upon with the Bank; and (ii) designation of a coordinator, an administration specialist, and a monitoring and evaluation specialist for the project coordination unit, reporting to the Office of the Deputy Minister for Finance (VMH), in accordance with the job descriptions and terms of reference included in the project <a href="#">Operations Manual</a> (see paragraph 3.7).				
<b>Exceptions to Bank policies:</b> None.				
Strategic Alignment				
<b>Challenges:</b> <sup>(d)</sup>	SI <input type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>	
<b>Crosscutting themes:</b> <sup>(e)</sup>	GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/>	IC <input checked="" type="checkbox"/>	

<sup>(a)</sup> Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

<sup>(b)</sup> Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life or the last payment date as documented in the loan contract.

<sup>(c)</sup> The credit fee and inspection and supervision fees will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.

<sup>(d)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

<sup>(e)</sup> GE (Gender Equity) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. DESCRIPTION AND RESULTS MONITORING

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

- 1.1 **Macroeconomic context.** In 2021, the economy grew 13.5% and surpassed its prepandemic level by 1.0%. According to the central bank,<sup>1</sup> Peru is projected to grow 3.1% in 2022 and 3.2% in 2023. Against this backdrop, social indicators have not yet returned to their prepandemic level: in 2021 nationwide unemployment stood at 5.7% of the economically active population (3.9% in 2019), and monetary poverty affected 25.9% of the population (20.2% in 2019).
- 1.2 The National Supply System (SNA) is one of the crossfunctional management systems of Peru's Public Sector Financial Administration (AFSP) and, as such, interacts with the Integrated Financial Administration System for Public Resources (SIAF-RP. Alongside and interacting with the crossfunctional systems for public budgeting, treasury, public borrowing, accounting, multiyear programming and investment management, and fiscal management of human resources, the SNA contributes to AFSP operation and is under the responsibility of the Ministry of Economy and Finance (MEF).<sup>2</sup>
- 1.3 The SNA-governed Public Supply Chain (CAP) is comprised of the following macroprocesses: public resource programming (integrated planning and multiyear programming of goods, services, and works); public resource management (procurement, contracting, and asset management); SNA strategic management (SNA governance management, SNA knowledge and innovation management); SNA support services management (SNA tools management, SNA technical assistance, opinion, and training management, and SNA monitoring and evaluation).
- 1.4 The agencies comprising the SNA are: (i) the Directorate General of Supply (DGA), which is the system apex agency reporting to the MEF's Office of the Deputy Minister for Finance (VMH);<sup>3</sup> (ii) the Government Contracting Supervision Agency (OSCE); (iii) the Public Purchasing Central Office (Perú Compras); and (iv) the administrative units in charge of CAP activities at all public institutions and at all levels of government.
- 1.5 The SNA was created in 2018 and began operating in 2019 to fill the gap in the absence of a supply system to govern the CAP.<sup>4</sup> However, policy gaps and overlaps still remain. In terms of functions, the DGA and the OSCE share responsibilities for public procurement (issuing directives, training, and certification). In addition, the jurisdiction of the DGA and the National Superintendency of Government Assets

---

<sup>1</sup> Central Reserve Bank of Peru. Inflation Report, June 2022.

<sup>2</sup> The Integrated Financial Administration System (SIAF) model that now predominates in Latin America covers four main functional areas: budget, treasury, accounting, and public debt. In addition, the SIAF interacts with other public resource management systems such as public investment, human resources and payroll, procurement and contracting, tax administration, project management, and asset management. IDB (2015). *Public Financial Management in Latin America: The Key to Efficiency and Transparency*. Carlos Pimenta, Mario Pessoa, editors.

<sup>3</sup> Created by Legislative Decree 1436: Framework Legislative Decree on the Financial Administration of the Public Sector of 16 September 2018. See Article 13.1.

<sup>4</sup> Legislative Decree 1439 of September 2018. Entered into force on 13 October 2019; Supreme Decree 2019-217-MEF implementing Legislative Decree 1439, published on 15 July 2019.

- (SBN) over real estate previously regarded as government property is unclear, as is the jurisdiction of the DGA and the Ministry of Culture in over personal property and real estate regarded as national assets. There is a patchwork of policies governing warehousing, distribution, maintenance, and disposal processes that have been developed according to the specific needs of each sector. In particular, there are 27 special procurement regimes, making public procurement more complex. Additionally, policy efforts are needed to govern various aspects of the CAP that have not yet been addressed, including special procurement mechanisms and the SNA certification process. The SNA is of great fiscal importance because it executes 24% of government spending on procurement of goods and services and represents 5% of GDP. Comparatively, in 2016 public procurement represented 14% in Latin American and Caribbean countries (4% of GDP), confirming the significance of procurement expenditure in Peru.<sup>5</sup>
- 1.6 In addition to its fiscal importance, the SNA is crucial for public service delivery because it is responsible for procurement and allocation of the necessary goods and services to produce such services.
- 1.7 Importantly, the proposed intervention is part of a strategy to improve and modernize the systems that comprise the Integrated Financial Administration System for the Public Sector (SIAF-SP) (see paragraphs 1.17 and 1.18) and aligned with the Digital Transformation Plan addressed in [optional link 6](#). Supported by the IDB since its inception (see paragraphs 1.24 and 1.28), this strategy aims to standardize processes and technologies in the medium term so as to deploy IT solutions and systems that support the needs of the country systems making up the Integrated Financial Administration System (SIAF).
- 1.8 **Problem and causes.** The main problem that the project has identified and will help to address is the inefficient management of supply services for the delivery of public services. This problem is clearly quantified, for example, in the education and health sectors.
- 1.9 In education, according to reports by the Office of the Comptroller General of the Republic (CGR), in 2018 27.6% of educational institutions did not have all books and materials ready for delivery to students on the first day of classes, and 29.8% of these institutions had deficiencies in the storage of educational materials and resources. This situation worsened in 2022: out of a sample of 5,423 educational institutions, 76.7% did not have workbooks ready for delivery to students on the first day of the school year, 6.1% did not have adequate storage for educational materials, and 29.4% had tablets that were inoperable or had a cracked screen.<sup>6</sup>
- 1.10 In addition, 57% of users of public health facilities within the network of the Ministry of Health and regional governments are forced to buy medicine out of their own pocket at private pharmacies.<sup>7</sup> This is caused by weaknesses in the CAP for medicine such as: (i) lack of purchase programming based on real needs and

---

<sup>5</sup> IDB (2018). Better Spending for Better Lives: How Latin America and the Caribbean Can Do More with Less.

<sup>6</sup> CGR (2022). Consolidated report of the simultaneous control operation, "Buen Inicio del Año Escolar 2022."

<sup>7</sup> Ministry of Health (2015). [EnSuSalud National Satisfaction Survey](#).



subject to historical data;<sup>8</sup> (ii) limited predictability of budgetary resources; and (iii) fragmented procurement, warehousing, and distribution of medicines. On average, only 39% of health facilities had acceptable standards of medicine availability in 2018, despite the fact that the budget for vaccines and medicine rose more than 200% in the period 2009-2017.

- 1.11 **Inadequate management model.** Challenges exist in the rules and regulations, processes, and instruments used by SNA institutions for their operations. The policy/regulatory framework reveals gaps and fragmentation. Currently, the CAP is operating at different levels of government and in different types of public institutions, but in a disjointed, uncoordinated manner with many different processes and ways of carrying out tasks. These gaps and the patchwork regulatory framework are partly due to the fact that many of the strategic processes to manage the system, which are the responsibility of the apex agency (i.e., the DGA), have not yet been defined and implemented (i.e., knowledge and innovation management, operational supervision, and strategic evaluation of the CAP).<sup>9</sup> In addition to the general regime, there are at least 27 special public procurement regimes in force in the Peruvian government. As a result, in 2021, only 66.06% of the total amount of procurements were conducted via the general regime, while one third were executed via special regimes.<sup>10</sup> Small purchases of medicines of less than eight Peruvian tax units (known as UITs)—one of the special regimes—increased from 7% to 17% between 2015 and 2020. Analyzing the figures in terms of the number of transactions, at present more than 90% of the number of medicine purchases are purchases of less than eight UITs.<sup>11</sup> Regulatory and incentive gaps exist for operators in distribution and warehouse management for the delivery of goods and services and for real estate management. This results, for example, in insufficient information on personal property and real estate to manage its allocation and maintenance.
- 1.12 In terms of processes, the multiyear programming of goods, services, and public works reveals weaknesses in identifying, classifying, and prioritizing requirements for the necessary goods, services, and public works to meet the government's strategic priorities, targets, and objectives, as well as a lack of alignment with the budgeting and planning systems.<sup>12</sup> As a result, in 2018, 43.5% of procurements using competitive methods had only one offeror, which reflects, among other factors, limited analysis and organization of the demand for goods and a lack of knowledge of the markets and their levels of competition.<sup>13</sup> This is estimated to generate cost

---

<sup>8</sup> Directorate General of Medicine, Supplies, and Drugs (DIGEMID) of the Ministry of Health, [monthly bulletins evaluating medicine availability indicators at health facilities nationwide](#).

<sup>9</sup> IDB (2022). Proposed framework for an optimized management model and process inventory (see [optional link 6](#)).

<sup>10</sup> OSCE business intelligence system portal ([CONOSCE](#)).

<sup>11</sup> "Intervenciones para Apoyar los Procesos de Compras Públicas de Medicamentos e Insumos Médicos en Perú," IDB-funded study (2021).

<sup>12</sup> The timelines for budget preparation, institutional planning, and the programming of goods, services, and public works lack a chronological logic, and the instruments are not interconnected, leading to inconsistencies and other management challenges.

<sup>13</sup> [CONOSCE](#) portal.

overruns equivalent to one half point of GDP each year.<sup>14</sup> The limited development of management instruments is demonstrated by differences in the use of price lists, related both to the SNA and to other AFSP administrative systems. They are also uncoordinated among themselves, with overlaps due to a lack of intersystemic integrity and limitations in the registration of vendors,<sup>15</sup> as well as shortcomings in the registration of real estate assets and a lack of criteria to ensure efficiency in their allocation.<sup>16</sup>

- 1.13 **Challenges in human talent.** An assessment by the National Civil Service Authority (SERVIR) concluded that 75% of the SNA's 4,793 public servants lacked the skills to manage contracts, and 55% had three or less years of experience in public procurement. From a gender perspective, SERVIR found that the knowledge gap was wider for women, and women had less work experience in the SNA (see [optional link 3](#)). In addition, women are under-represented in the SNA workforce (40%), and there are significant disparities at regional level.<sup>17</sup> At the same time, there is no information broken down by diverse population variables in the SNA. However, the Ministry of Labor and Employment Promotion reported employment gaps for Indigenous and Afro-Peruvian workers in the public sector compared to their White and Mestizo peers,<sup>18</sup> while the National Institute of Statistics and Information

---

<sup>14</sup> The coordination, concentration, and standardization of purchasing in Peru could yield annual savings of nearly one half point of GDP through economies of scale and increased competition. Source: World Bank (2018). [Peru: Public Expenditure Review](#).

<sup>15</sup> Although work is underway to develop a Single Price List of Goods, Services, and Works (CUBSO), it has not yet been implemented. In practice, therefore, there has been no single, official national price list since 1995, and at least seven price lists with different codifications are in use, as follows: (i) Price List of the National Superintendency of Government Assets (SBN), used for personal property in the Integrated Administrative Management System for National Assets; (ii) the Price List for Goods, Services, and Works, used in the Integrated Administrative Management System of the MEF; (iii) CUBSO, used for procurement (based on the United Nations Standard Products and Services Code (UNSPSC)); (iv) the Medicine Price Information System (SISMED), used by the Ministry of Health; (v) Defense Price List System, used by the defense sector (based on the price list of the North Atlantic Treaty Organization); (vi) SAP and ORACLE systems price lists; and (vii) other prices lists designed specifically for the entity.

<sup>16</sup> Only half of public entities report in the register, and only 31.5% of registered real estate is classified by use. This absence of centralized information or technical criteria to guide more efficient allocation of real estate assets leads many entities to rent privately owned real estate because they cannot obtain information about available government-owned assets. Source: Presidency of the Council of Ministers (PCM). According to SIAF-reported information, spending on rent quadrupled in 2021 (709.2 million soles) compared to 2012 (183.1 million soles).

<sup>17</sup> In the Áncash region, women accounted for 28% of civil servants and for 25% in Huancavelica. The only two regions with a higher participation of women are Moquegua (51%) and Tacna (49%). For Lima, this figure is distributed as 45% women and 55% men. SERVIR (2014) For a more in-depth analysis of gender considerations in the CAP, see [optional link 3](#).

<sup>18</sup> By occupational category for 2019, only 5.7% of the total employed economically active population who self-identified as Indigenous and Afro-Peruvian were public employees, compared to 8.8% of the employed self-identifying as White and Mestizo. According to the market structure in 2019, 7% of Indigenous and Afro-Peruvian workers were employed in the public sector, while the percentage of White and Mestizo workers was 9.9%. Source: Ministry of Labor and Employment Promotion (2020), [Annual Report on Employment of the Indigenous and Afro-Peruvian Population 2019](#). For more information, see [optional link 3](#).

Technology (INEI) reported significant gaps for persons with disabilities working in the public sector.<sup>19</sup>

- 1.14 These challenges are compounded by the lack of a digital transformation strategy to build the digital capacities and skills of SNA personnel, which could help boost the increased use of digital media accelerated by the COVID-19 pandemic. In conclusion, the SNA faces low specialization among its personnel, aggravated by high levels of turnover and weak human resources management.
- 1.15 **Limited IT management.** Efficient implementation and operation of the CAP's macro processes—the foundation for performing its functions—will require the use of information technology (IT) tools. While certain macro processes, such as government procurement management, already have IT support, most do not, or have obsolete tools that are not integrated with the AFSP's technology tools, in particular the SIAF. For instance, there are currently no digital tools dedicated to the specific operations of supply logistics networks; maintenance plans; property, plant, and equipment management; business analytics and artificial intelligence; integration between in-house and third-party systems; and big data management. There are also no digital tools for the traceability of transactions or information security mechanisms. Although the IT infrastructure has been renewed in 2022 (computing infrastructure, storage, communications, and cybersecurity), it is insufficient to host and operate an integrated digital platform for the SNA. Likewise, the human capital is inadequate to support this platform. Lastly, the strategy for complementarity and integration between these tools and the SIAF-RP must be ensured. A reference framework for the CAP optimized management model has thus been established as part of the preparation of this operation (see [optional link 6](#)).
- 1.16 **Limited accountability mechanisms.** Transparency in the SNA is limited to the contracting phase,<sup>20</sup> but there are no mechanisms to guarantee transparency in the planning of purchases (which would create incentives for more rigorous analysis and selection of procurement methods) or for the traceability of goods and services (which would create incentives for their effective allocation). Nor are there integrity strategies to promote accountability for targets and results achieved in terms of efficiency and value for money in the CAP.
- 1.17 **Rationale.** In this setting, the Government of Peru has requested the Bank's support to address the challenges outlined in this proposal.
- 1.18 The intervention strategy will focus on supporting implementation of the SNA reform with the aim of achieving an integrated CAP. To do so, a strategic approach is proposed that includes optimizing the legal and regulatory framework, strengthening the institutional and management capacities of the DGA as the system's apex agency, and implementing improvement processes in human resources

---

<sup>19</sup> Only 21.7% of persons with a disability belong to the economically active population. In terms of the sector to which the employing company or institution belongs, nine out of ten working persons with disabilities age 14 and over work in the private sector (90.2%), and only one out of ten works the public sector (9.3%). Source: INEI (2014), First National Specialized Survey on Disability, 2012. For more information, see [optional link 3](#).

<sup>20</sup> Through the [Government Electronic Procurement System](#).

management and digital technologies. In turn, the project will ensure integration and consistency with the country systems under the AFSP, especially with the SIAF-RP.

- 1.19 Centralized supply systems promote standardization of goods and services, joint planning, improved information on the characteristics and impact of purchases, the establishment of bulk purchasing management tools, big data management and analysis, and improved monitoring. Countries of the Organisation for Economic Co-operation and Development (OECD) have made gains in consolidating procurement systems by expanding the use of central procurement agencies, which in 85% of the countries have the authority to aggregate government demand and purchasing.<sup>21</sup>
- 1.20 Empirical evidence backs up the positive impact of implementing a centralized supply system that can aggregate demand. In the United States, the General Services Administration, an independent agency whose primary function is to manage the federal government's supply chain in a centralized, strategic manner, reported savings of US\$6.09 billion in 2021 through its procurement program, as well as increased competition in the public market, by promoting the contracting of small and medium-sized enterprises, which accounted for 25.8% of contract awards. In South Korea, the Public Procurement Service, as a centralized procurement system integrated with other financial administration systems,<sup>22</sup> generated transaction savings estimated at nearly US\$8 billion.<sup>23</sup>
- 1.21 These good practices have also been followed in Latin American countries such as Brazil, Chile, Colombia, as well as Peru in the form of instruments for demand aggregation and centralized purchasing.<sup>24</sup> In two Brazilian states, the introduction of centralized reverse auctions (in planning and execution) cut the cost per inhabitant of the auctioned goods by half, compared to cases where reverse auctions were not centralized. In addition, implementing centralized price lists reduced the number of items from 50,000 to 10,000 by simplifying descriptions and eliminating ambiguities, thereby consolidating demand and increasing competition. Centralized supply mechanisms—with planning and aggregation of purchases—helped cut medicine costs by 20%, and transportation costs by 30%, in the state of Goiás. In the state of São Paulo, the use of centralized purchasing systems had an impact on lowering transaction costs for the government and vendors by 73% and 94%, respectively; resulted in price savings of up to 25%; and increased bidder participation from two to nine on average.<sup>25</sup> In Peru, the Perú Compras agency has secured significant savings through the introduction of electronic price lists. In 2018 it saved US\$100 million equivalent, despite a lack of systematically documented information on needs programming, which would further increase its efficiency.<sup>26</sup>

---

<sup>21</sup> OECD (2016), [The Korean Public Procurement Service: Innovating for Effectiveness](#).

<sup>22</sup> For more information on the performance of the General Services Administration, see the following [link](#).

<sup>23</sup> OECD (2016).

<sup>24</sup> Even without centralized supply systems, these countries use centralization and demand aggregation mechanisms such as the use of framework agreements and collaborative and pooled purchasing.

<sup>25</sup> Ferrer, F. (2019). Transparencia y Eficiencia en el Abastecimiento Público. Data produced by e-Estrategia Pública.

<sup>26</sup> Perú Compras (2019), Expanded Evaluation Report on Framework Agreement Electronic Price List Operations, period from 01/01/2018 to 31/12/2018.

- 1.22 Professionalizing and optimizing real estate management can also lead to significant efficiencies. The critical path for this is to implement a georeferenced asset map (list, make an indicative valuation, and segment all assets), then develop an action plan and optimize use of the assets. For example, in Boston (United States), fixed assets had a book value of US\$1.4 billion, but their indicative market value exceeded US\$55 billion. A 1% improvement in asset management exceeded the amount of the city's annual public investment. In Singapore, the State-owned commercial investment company, Temasek Holdings, achieved returns of 6% per year between 2012 and 2017.<sup>27</sup>
- 1.23 Lastly, integration and nonduplication of supply system technology solutions with other central systems (such as the financial management system), as well as with preexisting sector systems that manage specific aspects of the supply chain (e.g., contract management or warehouse management) must be ensured, to achieve the expected efficiencies and effectiveness. In Uruguay, the country's Ministry of Economy and Finance developed open-source solutions that enabled integration with both the financial management system and preexisting government resource planning systems, in which sector ministries had already invested. It was thus possible to efficiently integrate supply chain management with greater consensus with sector entities.<sup>28</sup>
- 1.24 **The Bank's experience in the country.** The Bank has closely supported the institutional capacity-building of the Peruvian public administration in recent years, targeting support to strategic areas where it could add value. This support has taken the form of loans for modernization of the State, including the Project to Improve and Expand Support Services for National Service Delivery to Citizens and Enterprises (loan [4399/OC-PE](#), approved in 2017 for US\$50 million, in execution, 56% disbursed); Project to Boost Efficiency in Public Investment Management and Public Procurement (loan [4428/OC-PE](#), approved in 2017 for US\$65 million, in execution, 31% disbursed); Improving Tax and Customs Revenue Collection Services Through Digital Transformation (loan [4725/OC-PE](#), approved in 2018 for US\$50 million, in execution, 25% disbursed); Improvement of the Public Sector Payroll Budget Information Service (loan [4829/OC-PE](#), approved in 2019 for US\$26.6 million, closed); Modernization of the Public Financial Administration System to Improve Public Resource Programming, Execution, and Reporting (loan [2445/OC-PE](#), approved in 2010 for US\$20 million, closed); and the programs to improve the national control system (loan [1591/OC-PE](#), approved in 2004 for US\$12 million, closed; loan [2969/OC-PE](#), approved in 2013 for US\$20 million, closed; and loan [4724/OC-PE](#), approved in 2018 for US\$50 million, in execution, 49% disbursed). These projects have been implemented satisfactorily, contributing to the improvement of public management, user satisfaction, and expanded coverage of citizen services, notably the opening of five citizen service centers, with the participation of more than 35 institutions offering more than 300 transactions. The Bank has also supported projects contributing to modernization of the public supply chain in key sectors, such as the Program to Create Integrated Health Networks (loan [4726/OC-PE](#), approved in 2018 for US\$125 million, now in execution with 6%

---

<sup>27</sup> Detter, D., and S. Fölster (2018). *The Public Wealth of Nations* (London: Palgrave Macmillan, 2015), p. 53.

<sup>28</sup> For more information on empirical evidence from international experiences, see [optional link 5](#).



disbursed). Additionally, the Bank has provided nonreimbursable technical-cooperation operations for institution-strengthening of such entities as the Presidency of the Council of Ministers, the CGR, the MEF, and others.<sup>29</sup>

- 1.25 **The Bank's experience in other countries of the region.** The Bank has solid experience in supporting the improvement of supply system activities in other countries of the region, mostly targeting specific stages in the chain. These include: in programming of needs, procurements, and their integration with the budget, the Citizen Service Efficiency Project in Colombia (loan [3154/OC-CO](#), approved in 2014 for US\$20 million, closed), which supported implementation of the Colombia Compra Eficiente agency; the Budget Management Strengthening Program (loan [3398/OC-UR](#), approved in 2014 for US\$12 million, closed), which supported implementation of government resource planning; the Public Sector Financial Management System Modernization Project in Nicaragua (loan [2422/BL-NI](#), approved in 2010 for US\$10 million, closed); and the Program to Support Transformation of the Public Sector in Paraguay (loan [5480/OC-PR](#), approved in 2022 for US\$200 million, no disbursements), which supported public services reforms. In real estate assets, notable experience includes the Program for Modernization of Federal Government Immovable Asset Management in Brazil (loan [2580/OC-BR](#), approved in 2011 for US\$15 million, closed) and Support for Development of the Public Asset Management System in Ecuador (operation [ATN/OC-16394-EC](#), approved in 2017, closed).
- 1.26 **Lessons learned.** This project draws on lessons learned from projects implemented with the MEF, such as the projects for Improving the Public Sector Payroll Budget Information Service (loan [2991/OC-PE](#)) and Modernization of the Public Financial Administration System to Improve Public Resource Programming, Execution, and Reporting (loan [2445/OC-PE](#)), particularly related to the importance of specialized technical assistance in preparation and review of technical specifications, bidding documents, proposal evaluation, and quality control of highly complex technology products and developments. This operation therefore plans to bring in functional specialists and external IT experts from the start, to support the DGA in technical coordination.
- 1.27 Other lessons learned from projects supporting the modernization of CAP operations in the region include the importance of ensuring integration and nonduplication of efforts with other AFSP systems and with preexisting supply IT systems at public institutions responsible for SNA operations, to optimize the investments already made by the Peruvian government and reduce potential resistance to change.
- 1.28 **Complementarity with other Bank operations in the country.** In line with the foregoing (see paragraph 1.24), this project is aligned with and complements several of IDB-financed operations: (i) loan [4399/OC-PE](#), through the integration and publication of SNA services to civil society; (ii) loan [4428/OC-PE](#), through the

---

<sup>29</sup> Operations ATN/AA-16685-PE and ATN/OC-16684-PE, Institutional Strengthening of the Office of the Comptroller General of the Republic, approved in 2018 for US\$100,000, closed, operational support in preparation; ATN/OC-17261-PE, Institutional Strengthening of the National Supply System, approved in 2019 for US\$150,000, closed, operational support in preparation; ATN/OC-16100-PE, Institutional Strengthening of the Presidency of the Council of Ministers, approved in 2017 for US\$300,000, closed, operational support in preparation.

integration of crossfunctional purchasing processes; (iii) loan [4725/OC-PE](#), through two-way interoperability for collecting information from SNA-linked companies; (iv) loan [4724/OC-PE](#), through the timely exchange of information to support control processes; (v) loan [4726/OC-PE](#), through integration with health providers to improve supply in that sector; and (vi) the Project to Improve the Financial Administration of the Public Sector Through Digital Transformation (loan [5301/OC-PE](#)), which is the functional, technological, and operational foundation of the SNA, which may be extended as required. For the implementation of green procurement, the project will rely on a technical-cooperation operation now in preparation, to assist the MEF in designing and implementing fiscal policies for climate change, including the development of a strategy to increase sustainable public procurement. The Bank is also supporting digital transformation in the country with the Digital Transformation with Equity project, now in preparation.

- 1.29 **Strategic alignment.** The project is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and aligned with the development challenge of productivity and innovation by promoting the use of technology to improve the efficiency and effectiveness of the national government. It is also aligned with the crosscutting areas of: (i) gender, by promoting an action plan to guarantee equal employment opportunities in the recruitment and selection of female employees, as well as measures to retain female talent through training sessions and work-life balance strategies, and identifying skills gaps and training needs broken down by gender; (ii) diversity, by promoting an action plan to guarantee equal employment opportunities in the recruitment and selection of employees from diverse population groups (indigenous population, Afro-descendants, and persons with disabilities) and identifying skills gaps and training needs (see [optional link 3](#)); (iii) institutional capacity and rule of law, by supporting the government effectiveness index through the quality, transparency, and integrity of public administration and satisfaction with supply services in education and health; (iv) climate change, as 14.14% of the Bank's Ordinary Capital funds in the operation are invested in climate change mitigation activities, according to the [joint methodology of the multilateral development banks](#) for tracking climate finance, by promoting the use of energy efficient certified computer hardware that results in reduced greenhouse gas emissions and promoting the procurement of low-emission goods and services through green procurement. These resources contribute to the IDB Group goal of increasing the financing of climate change related projects to 30% of total annual approvals; and (v) environmental sustainability, by promoting green procurement, where procurement processes favor goods and services with a smaller environmental footprint. The project will contribute to the Corporate Results Framework 2020-2023 through the indicators for: (i) students benefited by education projects; (ii) beneficiaries of health services; (iii) agencies with strengthened digital technology and managerial capacity; and (iv) agencies with strengthened transparency and integrity practices.
- 1.30 The project is aligned with the Sector Strategy: Institutions for Growth and Social Welfare (document GN-2587-2), which emphasizes the promotion of good practices in transparency and open government. It is also aligned with the IDB Group Country Strategy with Peru 2022-2026 (document GN-3110-1) through its strategic objective of boosting the effectiveness and institutional structure of public administration, and the focus areas of decentralization, institutional and civil service strengthening, and

government and digital transformation with equity as contained in the Government General Policy 2021-2026 ([Supreme Decree 164-2021-PCM](#)). Lastly, the operation is included in the Update of Annex III of the 2022 Operational Program Report (document GN-3087-2).

- 1.31 **Gender and diversity considerations.** Following the Operational Policy on Gender Equality in Development (Operational Policy OP-761, document GN-2531-10) and the Update to the Gender Action Plan for Operations 2020-2021 (document GN-2531-19), the project will develop an action plan to guarantee equal employment opportunities in the recruitment and selection of female employees and employees from diverse population groups (indigenous population, Afro-descendants, and persons with disabilities), as well as measures to retain female talent through training sessions and work-life balance strategies, and preparing a diagnostic assessment to identify skills gaps and training needs broken down by gender and diversity (including indigenous population, Afro-descendants, and persons with disabilities).

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

- 1.32 **General objective.** The general development objective of the project is to improve the quality of the public supply service for goods, services, and works. The specific development objectives of the project are: (i) to improve efficiency in the National Supply System (SNA); (ii) to narrow the knowledge gaps of public servants working in supply; and (iii) to improve accountability to citizens. To achieve its objectives, the project is structured in three components.
- 1.33 Quality in supply service will be improved through the enhanced effectiveness of key SNA processes, which in turn will impact efficiency in the delivery of public services to citizens. This is reflected in the impact indicators. By ensuring that stocks of medicine are available in the public network and that school supplies are delivered as planned and on schedule, citizens will be able to better enjoy health and education services, respectively. This availability of supplies for the delivery of better public services necessarily requires a better-quality core supply service.
- 1.34 **Component 1. Improved management model (US\$11,533,696: US\$9,212,796 IDB and US\$2,320,900 local).** Support will be financed to: (i) develop adequate governance and stewardship of the SNA, including: (a) developing the SNA management and governance model;<sup>30</sup> (b) developing an innovation management system;<sup>31</sup> and (c) developing a legal, regulatory, and institutional framework for the incorporation of SNA transparency and integrity mechanisms; and (ii) develop adequate and coordinated processes and instruments specific to the SNA and complementary to the AFSP, including: (a) preparing and reviewing public supply plans and standards; (b) developing public supply functional requirements and

---

<sup>30</sup> Includes designing the organizational structure and capacity of the apex agency, designing and implementing mechanisms to manage the SNA's intrasystemic and intersystemic relationships, designing and implementing a change management strategy for the SNA institutions, and designing SNA monitoring and evaluation.

<sup>31</sup> Including an information, knowledge, and innovation management model.



processes; and (c) developing methodological instruments and strategies for public supply.<sup>32</sup>

- 1.35 **Component 2. Adequate human capital (US\$13,083,430: US\$10,450,681 IDB and US\$2,632,749 local).** Support will be financed to: (i) develop adequate human resources management, including development of public supply human resources management strategies;<sup>33</sup> and (ii) develop sufficient human resources competencies, including: (a) implementing a program for capacity development and certification of human resources within the SNA; and (b) implementing a technical assistance program for implementation of processes within the SNA.<sup>34</sup>
- 1.36 **Component 3. Adequate IT management (US\$34,788,362: US\$27,787,979 IDB and US\$7,000,383 local).** Support will be financed to: (i) develop sufficient information systems specific to the SNA and complementary to the AFSP, including: (a) implementing planning tools;<sup>35</sup> (b) implementing personal property management tools;<sup>36</sup> and (c) implementing real estate management tools;<sup>37</sup> (ii) develop unique and coordinated technology solutions, including: (a) implementing user support tools;<sup>38</sup> and (b) implementing DGA management support tools;<sup>39</sup> and (iii) develop an adequate IT infrastructure, including: (a) expanding energy efficient certified computer hardware for the SNA; (b) expanding the cloud environment; and (c) deploying system software.<sup>40</sup>
- 1.37 The project will also finance monitoring, evaluation, and audit costs of US\$1,125,000, administration costs including human resources and operating costs

---

<sup>32</sup> Strategy and methodology documents for integrated planning, programming of needs, procurement management, personal property management, real estate management, and design of the public logistics network.

<sup>33</sup> Includes preparing a strategy to promote equal opportunities for access, retention, and career development for female employees and employees from diverse population groups (indigenous population, Afro-descendants, and persons with disabilities) under the current legal framework, developing conditions for an incentive system for public supply operators, identifying capacity gaps broken down by gender and diversity variables (including indigenous population, Afro-descendants, and persons with disabilities), and redesigning requirements for SNA actors.

<sup>34</sup> This technical assistance program aims to provide support to the various SNA actors in terms of processes and procedures and the use of support tools.

<sup>35</sup> Includes technological support for determination and forecasting of demand.

<sup>36</sup> Includes the development of tools for warehouse management, transportation management, tools for disposal (sale, including auction) of assets, and warehouse georeferencing systems.

<sup>37</sup> Includes technological support complementary to the SIAF-RP for cost-effectiveness, optimization, and control (e.g., georeferencing and digital document repository).

<sup>38</sup> Includes tools for the SNA observatory, SNA e-learning platforms, user technical support tools (such as a chatbot), and user services portfolio.

<sup>39</sup> Includes integrations complementary to the SIAF-RP, a data analytics tool, an artificial intelligence modeling and development tool, a knowledge and innovation management tool, tools and methodologies to design and implement an architecture focused on cybersecurity, an open data generation tool, and the implementation of a graph-based policy analysis tool.

<sup>40</sup> Software necessary to run the infrastructure to be purchased.

of the project coordination unit (PCU) of US\$5,749,409, concurrent control costs of US\$1,361,241, and final study costs of US\$1,782,165.<sup>41</sup>

- 1.38 **Beneficiaries.** The main project beneficiaries will be the inhabitants, suppliers, and taxpayers of Peru, who will benefit from greater efficiency and effectiveness in the delivery of public services. As an example, the project's end beneficiaries will be citizens accessing quality medicines and school materials in a timely and efficient manner. In terms of institutions, the main beneficiaries will be all public sector institutions at national and subnational levels as SNA operators, which may benefit from the improved management of supply services, the DGA as the system's apex agency, and the MEF as the agency responsible for the country's economic development.

### C. Key results indicators

- 1.39 **Expected impact and outcomes.** The general development objective will be to improve the quality of the public supply service for goods, services, and works. The specific development objectives are: (i) to improve efficiency in the SNA, measured by: the decrease in purchases below eight UITs, as measured by the number of medical supply purchase processes, and the increase in the percentage of registered real estate assets classified by their use; (ii) to narrow the knowledge gaps of public servants working in supply, measured by an increase in the percentage of public servants with a high level of supply knowledge, and implementation of at least one action from the action plan to guarantee equal employment opportunities in the recruitment and selection of personnel for each of the following population groups: women, indigenous population, Afro-descendants, and persons with disabilities; and (iii) to improve accountability to citizens, measured by the increase in downloads of open data from the SNA.
- 1.40 **Economic analysis.** An [economic analysis](#) of the project was done, consisting of a cost-benefit analysis. The main quantifiable benefits of the improvements in the effectiveness of SNA management derive from: (i) savings in the purchase of medicines by making them available in the public system at a lower price; (ii) savings in prices obtained in more competitive tenders by reducing more discretionary purchases when they fall below the threshold of eight UITs; (iii) savings in hours of work at public institutions by reducing the time spent on procurement processes; (iv) savings associated with the use of e-government; and (v) gains arising from the greater capabilities of public servants. The evaluation concludes that the project, even applying a conservative benefit rate and without factoring in all possible sources of benefits, yields benefits above costs: the project's net present value in

---

<sup>41</sup> Concurrent control is performed by the CGR under CGR Resolution 275/2022, where the simultaneous control service is provided in the form of systematic and multidisciplinary support. The technical dossier corresponds to the set of technical documents that form part of the bidding documents.

the base-case scenario is approximately US\$21.35 million, the internal rate of return is 23%, and the cost-benefit ratio is 1.39.<sup>42</sup>

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 This project will have a total cost of US\$69,423,303 and will be financed through a specific investment loan of US\$50 million (72%) from the Bank's Ordinary Capital resources and a local contribution of approximately US\$19 million (28%) (see summary in Table 1 and [Itemized Budget](#)). This instrument modality is justified by the comprehensive nature of the planned intervention logic, by the fact that it has a technical and cost estimate, and by the type of investments to be financed.

**Table 1. Project estimated costs (US\$)**

Components	IDB	Local	Total
<b>Component 1. Improved management model</b>	<b>9,212,796</b>	<b>2,320,900</b>	<b>11,533,696</b>
1.1 Develop adequate governance and stewardship of the SNA	4,624,109	1,164,911	5,789,020
1.2 Develop adequate and coordinated processes and instruments specific to the SNA and complementary to the AFSP	4,588,688	1,155,988	5,744,676
<b>Component 2. Adequate human capital</b>	<b>10,450,681</b>	<b>2,632,749</b>	<b>13,083,430</b>
2.1 Develop adequate human resources management	734,391	185,009	919,400
2.2 Develop sufficient human resources competencies	9,716,290	2,447,740	12,164,030
<b>Component 3. Adequate IT management</b>	<b>27,787,979</b>	<b>7,000,383</b>	<b>34,788,362</b>
3.1 Develop sufficient information systems specific to the SNA and complementary to the AFSP	10,152,655	2,557,670	12,710,325
3.2 Develop unique and coordinated technology solutions	6,495,945	1,636,467	8,132,412
3.3 Develop an adequate IT infrastructure	11,139,379	2,806,247	13,945,626
<b>Administration</b>	<b>0</b>	<b>5,749,409</b>	<b>5,749,409</b>
<b>Monitoring, evaluation, and audit</b>	<b>1,125,000</b>	<b>0</b>	<b>1,125,000</b>
<b>Final studies</b>	<b>1,423,544</b>	<b>358,621</b>	<b>1,782,165</b>
<b>Concurrent control</b>	<b>0</b>	<b>1,361,241</b>	<b>1,361,241</b>
<b>Total</b>	<b>50,000,000</b>	<b>19,423,303</b>	<b>69,423,303</b>

<sup>42</sup> Sensitivity analyses were done, assuming either a lesser decrease in the number of transactions below eight UITs (an initial decrease of 15% instead of 20% was assumed) or a lesser decrease in the number of people purchasing medicine in the private sector despite being served in the public sector (10% lesser decrease than proposed). In both cases the project still yields a positive net present value with internal rates of return of 21% and 23%, respectively, and a benefit/cost ratio of US\$1.39 in both cases. The conclusion, therefore, is that a net benefit to society is still achieved, even if the project has only minor impacts.

- 2.2 The disbursement period will be five years, as detailed in Table 2. The execution period was based on the average time taken to design and implement the activities proposed in the project.

**Table 2. Projected annual disbursement flow of IDB resources (US\$)**

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>IDB</b>	5,655,914	15,504,632	10,379,066	9,787,731	8,672,657	50.0000.000
<b>Local contribution</b>	2,679,815	5,447,783	4,008,936	3,870,192	3,416,578	19,423,303
<b>Total</b>	8,335,729	20,952,415	14,388,002	13,657,923	12,089,234	69,423,303
<b>% per year</b>	12	30	21	20	17	100

## **B. Environmental and social safeguard risks**

- 2.3 The operation was classified as category “C” under Directive B.3 of the Bank’s Environment and Safeguards Compliance Policy (Operational Policy OP-703) because it is not expected to cause negative environmental or social impacts. The program will not finance any physical infrastructure components, so no associated environmental or social impacts or risks are foreseen.

## **C. Other key risks and issues**

- 2.4 **Systems.** Two medium-high risks were identified: (i) if there is no synergy between the actions to be carried out under the project and other initiatives (see paragraph 1.28), such as improvement of the Integrated Financial Administration System (SIAF) and public purchasing systems, then the result could be inconsistencies, overlapping functionalities, or incompatibility among the systems, leading to the project’s targets not being met on time. This risk will be mitigated through close coordination with the other projects in terms of project management and at the level of technology experts; and (ii) if delays occur in execution of the project to modernize the Integrated Financial Administration System for Public Resources (SIAF-RP), then system coordination and compatibility would be difficult because the project requires the completion of activities for the definition of processes and functionalities and technology implementation, which are the responsibility of the SIAF-RP, leading to significant delay in implementing improvements to the supply system. The proposed mitigation measures are: (i) unification of management of the two projects under the same organizational structure; and (ii) alignment of work plans of the two projects for determining needs and dates.
- 2.5 **Sustainability.** The project was designed to garner a high degree of engagement and buy-in from the MEF’s institutional apparatus, contributing to its sustainability. It also fits into the priorities set in the Government General Policy 2021-2026.<sup>43</sup> The project provides for management improvement activities for all core processes (in the SNA components) and support processes (IT and human resources) within the legal mandate of the Directorate General of Supply (DGA). The job description

<sup>43</sup> Focus areas for institution-strengthening and digital transformation with equity of the Government General Policy 2021-2026 ([Supreme Decree 164-2021-PCM](#)).

redesign activities and certification program as a requirement to work as an operator in the SNA will enhance the sustainability of training activities. Additionally, the centralization and digitalization of processes will reduce the financial effort to manage the SNA in the medium term. At the same time, the MEF has an annual budget that includes maintenance of its information technology hardware and systems, which have been updated in the last year, including computing infrastructure, storage, connectivity, and cybersecurity. The MEF also has a multiyear budget that covers the maintenance costs of the technology investments for 10 years following the 5 years of the project, ensuring its sustainability in the medium term (see the project [pre-investment study](#)).

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower, acting through the Ministry of Economy and Finance (MEF), will be the project executing agency. The executing agency will act through the General Office of Investment and Projects (OGIP),<sup>44</sup> working closely with the program coordination unit (PCU), for fiduciary management. The technical and administrative management functions will be coordinated through the PCU,<sup>45</sup> which reports to the Office of the Deputy Minister for Finance (VMH) and was created for the execution of loan [5301/OC-PE](#), generating synergies and coordinating the activities of the other projects under its coordination. The Directorate General of Supply (DGA) will play a strategic role and coordinate with the PCU on the final certifications of outputs. The institutional capacity assessment of the executing agency was updated in May 2022 and identified the need to strengthen the PCU with additional staff (see paragraph 3.2 (iv), and Annex III for further details).
- 3.2 **Execution mechanism.** The relationships and roles between the PCU and the OGIP will be specified in the project [Operations Manual](#) and will include at least the following activities:
- (i) The OGIP will perform the following activities: (i) project financial and procurement management; (ii) production of evidence, as planned and on schedule, that the conditions precedent to the first disbursement and special conditions of execution have been met; (iii) project financial resource management and preparation of disbursement requests; (iv) procurement plan preparation, consolidation, update, and implementation in coordination with the PCU; (v) contracting and procurement; (vi) arrangements for the external audit; (vii) delivery of reports (including audit, progress, and evaluation reports) and other documents to the Bank; (viii) support for procurement supervision and oversight; (ix) financial statement preparation and delivery to the Bank;

---

<sup>44</sup> Clause 56 of Law 30879/18, Public Sector Budget Law for Fiscal Year 2019, retires the program under the Technical and Financial Cooperation Coordination Unit and establishes the OGIP under the Office of the General Secretary of the MEF, responsible for managing the MEF's debt-financed investments and projects.

<sup>45</sup> Created pursuant to Resolution 035-2021-EF/13 of the Office of the Secretary-General on 24 August 2021.

- (x) approval of the project [Operations Manual](#), together with the PCU; and (xi) liaison with the Bank.
- (ii) The OGIP requires additional support to perform these functions, so the following will be contracted for project execution: (i) procurement specialists; (ii) a financial specialist; (iii) a sector specialist;<sup>46</sup> and (iv) a monitoring and supervision analyst.
- (iii) The PCU will perform the following activities, inter alia: (i) project execution planning, including the preparation, consolidation, and submission of the [multiyear execution plan](#) and [annual work plan](#); (ii) preparation of terms of reference and technical specifications for procurements; (iii) technical certification of outputs, after coordinating with the DGA; (iv) progress supervision of project execution; and (v) monitoring and evaluation of project execution with OGIP support.
- (iv) The PCU is made up of an integrated technical team for loan [5301/OC-EP](#), but in view of this project's needs, its structure needs to be strengthened with at least the following roles: (i) SNA coordinator; (ii) three component coordinators; (iii) support specialists (technology, monitoring and evaluation); and (iv) technical specialists. This contracting will be financed using the loan's administration resources.

**3.3 Interagency coordination mechanisms.** In addition to the mechanisms for coordination with the institutions involved with the National Supply System (SNA), the project will have additional avenues for effective coordination with national government institutions and subnational governments. These include: (i) at the technical level, the SNA community of practice, which will bring together system operators and foster interagency collaboration through regular meetings, exchange of good practices, and airing of concerns and suggestions with a bottom-up approach; and (ii) at the authorities level, communication and awareness activities emphasizing the benefits of implementing improvements to the SNA, such as being able to demonstrate more efficient and effective management vis-à-vis citizens (whose exposure will increase as a result of greater data transparency), leveraging technology investments already made (i.e., promoting interoperability with preexisting systems rather than imposing a single, centralized system), financing training and certification activities for public servants, and, in the case of subnational governments, providing expert support to facilitate implementation of the improvements to the SNA.

**3.4** Strategic coordination of the will be the responsibility of the Coordination Committee for the Public Sector Financial Administration (AFSP) through the Office of the Deputy Minister of Finance of the executing agency. Additionally, the AFSP Project Portfolio Advisory Committee, which is made up of the coordinators of AFSP-related projects, one representative from the General Office of Information Technology (OGTI), and one OGIP representative,<sup>47</sup> will have the following functions: (i) support the extrasystemic functional definitions of the Integrated Financial Administration

---

<sup>46</sup> Liaison between the OGIP and the PCU.

<sup>47</sup> Representatives of other institutions may be invited to join the AFSP Project Portfolio Advisory Committee in the interest of exchange of information.

System for Public Resources (SIAF-RP) and crossfunctional definitions, as appropriate; (ii) promote the rationalization of information technology (IT) resource use; (iii) support the collection of required information from non-MEF institutions; and (iv) other activities assigned by the AFSP Coordination Committee.

- 3.5 **Mechanisms for coordination with other IDB projects.** In the execution phase, the project will continue to coordinate closely and exploit synergies with the Project to Boost Efficiency in Public Investment Management and Public Procurement (loan [4428/OC-PE](#)) in relation to public procurement and management of real estate assets; and with project 5301/OC-PE, which supports modernization of the Integrated Financial Administration System (SIAF) to ensure consistent and interoperable technology solutions and achieve efficiencies in investments that can be leveraged by both projects (particularly, the implementation of tools such as information security, user and identity management, internal and external interoperability, big data, and others).
- 3.6 **Operations Manual.** The project [Operations Manual](#) will describe the operation's execution strategy and include: (i) the project's organizational structure; (ii) the technical and operational arrangements for its execution; (iii) the mechanism for programming, monitoring, and evaluation of results; (iv) the guidelines for financial, audit, and procurement processes; (v) the operational guidelines for selection of consultants; (vi) details of the executing agency's functions and the responsibilities of other relevant units of the ministries in the project's processes; (vii) details of the functions of the AFSP Coordination Committee; and (viii) details of the activities included in each of the different project components. The annexes will include, at least: (a) the Results Matrix; (b) the fiduciary agreements and requirements; (c) the [monitoring and evaluation plan](#); and (d) the [itemized budget](#).
- 3.7 **Special contractual conditions precedent to the first disbursement of the financing.** As special contractual conditions precedent to the first disbursement, the borrower, either itself or through the executing agency, will provide evidence of: (i) approval of the project [Operations Manual](#) on the terms previously agreed upon with the Bank; and (ii) designation of a coordinator, an administration specialist, and a monitoring and evaluation specialist for the project coordination unit, reporting to the Office of the Deputy Minister for Finance (VMH), in accordance with the job descriptions and terms of reference included in the project [Operations Manual](#). This is to strengthen the operational capacity necessary for timely implementation of the project activities.
- 3.8 **Fiduciary agreements and requirements.** The fiduciary agreements and requirements establish the applicable financial management and planning framework and procurement supervision and execution framework for execution of the operation. The loan proceeds may be disbursed via the modalities of advance of funds, reimbursement of expenditures, and direct payment to the supplier. For advances of funds, disbursements will be based on projected expenditures for up to 180 days. The level of justification for disbursements will be at least 80% of the total accumulated balances pending justification, using the Bank's formats. The OGIP will deliver the project's annual audited financial statements within 120 days after the close of each financial year of the borrower during the original disbursement period or as extended. The project's final audited financial statements will be delivered



within 120 days after the end of the original disbursement period, or as extended. To do so, the OGIP commits to select and engage an independent audit firm acceptable to the Bank for the duration of the operation.

3.9 The [procurement plan](#) will be managed through the online electronic Procurement Plan Execution System (SEPA) or such system as may be determined by the Bank. The operation's procurements will be conducted in accordance with the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-15), or as subsequently updated. However, both partial and advanced use of Peru's country procurement system have been approved by the Bank's Board of Executive Directors (document GN-2538-11 and document GN-2538-22 of 2013 and 2017, respectively), so the country procurement system may be used after the implementation and monitoring actions included in the approved Report for Acceptance of Use of the Country Procurement System in Peru have been completed, and the procurement plan has been amended. The subsystems for electronic reverse auctions and electronic price lists under framework agreements may be used after the implementation phase for the recommendations before their use has been completed.

3.10 **Maintenance.** The project investment includes digital mechanisms and IT infrastructure to digitalize the processes and related assets (e.g., computer hardware). Accordingly, the executing agency undertakes to properly maintain the computing, storage, communications, cybersecurity, and other equipment purchased for implementation of the project in accordance with generally accepted technical standards. It will prepare an annual maintenance plan and deliver a report to the Bank on the condition of such equipment and the annual maintenance plan for each year during the project. If Bank inspections or reports received by the Bank determine that maintenance is being performed below the agreed levels, the borrower or executing agency will adopt the necessary measures to fully remedy the deficiencies.

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

3.11 **Monitoring.** In its role as project technical coordinator, the PCU will perform: (i) project monitoring and evaluation; (ii) supervision of project management; (iii) implementation of outputs; and (iv) reporting on progress towards expected outcomes, using the following documents: (a) Results Matrix; (b) [multiyear execution plan / annual work plan](#) and [procurement plan](#); (c) progress monitoring report; (d) six-monthly status reports, to be delivered within 60 days after the end of each calendar six-month period. Also to be prepared are: (e) audited financial statements (to be prepared by the OGIP) and delivered to the IDB within 120 days after the end of the fiscal year; and (f) the project completion report, to be prepared in the last quarter of loan execution. To do so, the PCU will be supported by a monitoring and evaluation specialist. The PCU will rely on the OGIP for the administrative and financial aspects of project monitoring. The Bank will perform technical and fiduciary supervision in the field.

3.12 **Evaluation.** A midterm evaluation and a final evaluation will be conducted, based on terms of reference agreed upon with the Bank. The midterm evaluation will be performed when disbursements have reached at least 50%, or two and a half years have passed since the loan contract entered into force (whichever occurs first).



- 3.13 The final evaluation will be performed when disbursements reach 95% of the total. These reports will include: (i) the results of physical and financial execution; (ii) the degree to which the Results Matrix targets have been met, including a summary of the outcomes against the baseline prepared in the first year of project execution; (iii) a synthesis of the audit findings and results of implementing the improvement plans; (iv) an analysis of the sustainability of the project investments, particularly in terms of their cost and human capital management; and (v) a summary of the main lessons learned.
- 3.14 In the specific case of the midterm evaluation, special consideration will be given to recommendations contributing to achievement of an adequate level of execution in the event of difficulties. The final report will include an economic evaluation of the project using a methodology consistent with the ex ante evaluation performed as part of the design of this operation. The quasi-experimental impact evaluation will define its baseline during the first year of the project and will be finalized in the last year of the project. It will evaluate the effect of the improved management model and the incorporation of better IT systems on the prices of procured products and services, as well as the effect of these reforms on the number of competitive procurements with more than one offeror, as developed in detail in the project [economic analysis](#) and [spreadsheet](#), and as included in the [monitoring and evaluation plan](#).

Development Effectiveness Matrix		
Summary		PE-L1250
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Productivity and Innovation -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Students benefited by education projects (#) -Beneficiaries receiving health services (#) -Agencies with strengthened digital technology and managerial capacity (#) -Agencies with strengthened transparency and integrity practices (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-3110-1	Boost the effectiveness and institutional structure of public administration
Country Program Results Matrix	GN-3087-2	The intervention is included in the 2022 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		8.2
3.1 Program Diagnosis		1.0
3.2 Proposed Interventions or Solutions		3.2
3.3 Results Matrix Quality		4.0
4. Ex ante Economic Analysis		7.5
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		0.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		8.4
5.1 Monitoring Mechanisms		2.8
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium Low
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control.  Procurement: Information System, Price Comparison, Contracting Individual Consultant, National Public Bidding.
Non-Fiduciary	Yes	Strategic Planning National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Fiscal Policy for Climate Change: Support to the Ministry of Economy and Finance of Peru (PE-T1531)

*Evaluability assessment note: Program to improve the public supply of goods, services and works (PE-L1250)*

*The general development objective of the project is to improve the quality of the state public supply of goods, services and works. To achieve this end, this loan defines a focus on three specific areas in which the project intervenes. The focus of the first area is the improvement of efficiency in the National Supply System (SNA), the second is the reduction of knowledge gaps in the public workers of the SNA, while the third area focuses on improving the accountability of the system supply to citizens.*

*The project includes a description of the efficiency gaps in the management of public supply services focused on the public education and public health sectors.*

*The economic analysis provides a quantification of the economic benefits in future services in the form of: (i) savings for families purchasing medicines made available in the public system at a lower price; (ii) savings derived from improvements in the efficiency of the public contracting process; and (iii) gains linked to the improvement in the productivity of public servants. The analysis concludes with a net present value of US\$21.35 million with an Internal Rate of Return of 23% (twenty-three percent).*

*Monitoring is based on reports by the DGA and the MEF. The monitoring and evaluation plan includes an impact evaluation to identify deficiencies and measure the effectiveness of the project reforms in the public procurement system with a focus on medical supplies. For this purpose, a quasi-experimental design will be implemented using the differences-in-differences method. The rest of the result indicators will be measured by the before and after method.*

*Out of five identified risks, two are classified as medium-high. The main risks identified in the program are related to the potential lack of synergy between the project and the SIAF system, as well as delays in the implementation of SNA modernization reforms, therefore, as part of the mitigation measures, socialization spaces, change management and awareness activities will be implemented, among others.*

## RESULTS MATRIX

<b>Project objective:</b>	The specific development objectives of the project are: (i) to improve efficiency in the National Supply System (SNA); (ii) to narrow the knowledge gaps of public servants working in supply; and (iii) to improve accountability to citizens. The general development objective of the project is to improve the quality of the public supply service for goods, services, and works.
---------------------------	---

### GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline value	Baseline year	2023	2024	2025	2026	2027	Final target	Means of verification	Comments
<b>General development objective: To improve the quality of the public supply service for goods, services, and works</b>											
Percentage of public primary care health facilities with acceptable levels of essential medicine availability (medicine request form)	Percentage	26%	2021	26%	26%	30%	35%	40%	40%	<a href="#">Medicine Price Information System (SISMED)</a> , <a href="#">Directorate General of Medicine, Supplies, and Drugs (DIGEMID)</a> , <a href="#">Ministry of Health</a>	Public primary health care facilities with optimal or high levels of essential medicine availability (medicine request form) / Total public primary health care facilities
Percentage of users of public health facilities purchasing medicine from private pharmacies	Percentage	29%	2022	29%	29%	29%	20%	15%	15%	<a href="#">EnSuSalud National Satisfaction Survey</a> , <a href="#">Ministry of Health</a> , or equivalent	Users of public health facilities purchasing medicine from private pharmacies / Total users of public health facilities %
Percentage of public schools without school materials on the first day of classes	Percentage	76.7%	2022	76.7%	76.7%	70%	65%	60%	60%	Office of the Comptroller General or the Republic (CGR) or equivalent	Schools without workbooks to hand out to students at the beginning of the school year / Total number of schools

**SPECIFIC DEVELOPMENT OBJECTIVES**

Indicators	Unit of measure	Baseline value	Baseline year	2023	2024	2025	2026	2027	Final target	Means of verification	Comments
<b>Specific development objective 1: To improve efficiency in the National Supply System (SNA)</b>											
Decrease in purchases of medical supplies below 8 Peruvian tax units (UITs)	Number of purchases of medical supplies below 8 UITs / Total number of purchases of medical supplies	92%	2020	92%	92%	89%	86%	84%	84%	IDB Government Contracting Supervision Agency (OSCE) study	Assumes that the number of purchases under the Procurement Law (above 8 UITs) remains around 8,000 (between 2016 and 2020 the number was between 6,000 and 7,000)
Percentage of registered real estate assets classified by their use	Real estate assets classified by use / Total registered real estate assets	31.2	2019	31.2%	35%	40%	50%	60%	60%	Baseline: National Superintendency of Government Assets (SBN) (National Government Assets Information System (SINABIP)) Verification: Integrated Administrative Management System for Real Estate Assets	
<b>Specific development objective 2: To narrow the knowledge gaps of public servants working in supply</b>											
Percentage of public servants with a high level of supply knowledge <sup>1</sup>	Public servants with high level of supply knowledge / Total public servants in the SNA	37%	2014	37%	37%	45%	45%	60%	60%	National Civil Service Authority (server) report or equivalent	"High level" means a score above 70/100

<sup>1</sup> The 2014 evaluation focused on certain aspects of the SNA. The baseline will be updated in 2020 following a comprehensive approach.

Indicators	Unit of measure	Baseline value	Baseline year	2023	2024	2025	2026	2027	Final target	Means of verification	Comments
Implementation of at least one action from the action plan to guarantee equal employment opportunities in the recruitment and selection of personnel for each of the following population groups: women, indigenous population, Afro-descendants, and persons with disabilities <sup>2</sup>	Number of actions implemented	0	2022	0	0	0	2	2	4	Directorate General of Supply (DGA) report	Pro-gender and pro-diversity
<b>Specific development objective 3: To improve accountability to citizens</b>											
Increase in the number of annual downloads of open data from the SNA	Annual downloads (000s)	45.9 <sup>3</sup>	2018-2019	45.9	45.9	48.2 (5%)	50.5 (10%)	55.1 (20%)	55.1 (20%)	<a href="#">National Open Data Portal</a> and DGA report	Number of downloads of open data produced by DGA+OSCE+Perú Compras / Number of OSCE and Perú Compras downloads for 2018-2019

#### OUTPUTS

Outputs		Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Component 1. Improved management model												
1.1	SNA governance and stewardship	Report	0	2022	1	1	1	0	0	3	DGA report	
1.2	Coordinated processes and instruments specific to the SNA and complementary to the AFSP	Report	0	2022	1	1	0	0	0	2		
Component 2. Adequate human capital												
2.1	Adequate human resources management	Report	0	2022	1	1	1	1	1	5	DGA report	

<sup>2</sup> At least one action targeting women, one action targeting the indigenous population, one action targeting the Afro-descendant population, and one action targeting persons with disabilities.

<sup>3</sup> The annualized average was 41.1 at Perú Compras and 4.8 at the OSCE between June 2018 and May 2019.

Outputs		Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
2.2	Diagnostic assessment of gaps by gender, indigenous population, Afro-descendants, and persons with disabilities	Report	0	2022	1	1	0	0	0	2		Pro-gender and pro-diversity <sup>4</sup>
2.3	Action plan to guarantee equal employment opportunities for women, indigenous population, Afro-descendants, and persons with disabilities	Report	0	2022	0	1	1	1	1	4		Pro-gender and pro-diversity <sup>5</sup>
2.4	Sufficient human resources competencies	Report	0	2022	1	1	1	1	1	5		
Component 3. Adequate IT management												
3.1	Sufficient information systems specific to the SNA and complementary to the AFSP	Report	0	2022	0	1	1	1	0	3	DGA report	
3.2	Unique and coordinated technology solutions	Software	0	2022	1	1	1	1	1	5		
3.3	Adequate IT infrastructure, including energy efficient certified computer hardware	Report	0	2022	0	1	1	1	0	3		

<sup>4</sup> A diagnostic assessment will be conducted for SNA employees that identifies skills gaps and training needs broken down by gender and diversity variables (including indigenous population, Afro-descendants, and persons with disabilities).

<sup>5</sup> Funding will be provided for the development of an action plan detailing the necessary guidelines to ensure equal employment opportunities in the recruitment and selection of female employees and employees from diverse population groups (indigenous population, Afro-descendants, and persons with disabilities), as well as measures to retain female talent through training sessions and work-family reconciliation strategies.

**Country:** Peru

**Division:** IFD/ICS

**Operation number:** PE-L1250

**Year:** 2022

## FIDUCIARY AGREEMENTS AND REQUIREMENTS

**Executing agency:** Ministry of Economy and Finance (MEF)

**Operation name:** Improvement of the Public Supply Service for Goods, Services, and Works

### I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

#### 1. Use of country system in the operation.<sup>1</sup>

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information system	<input checked="" type="checkbox"/> National competitive bidding
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input checked="" type="checkbox"/> Shopping	<input checked="" type="checkbox"/> Other
<input checked="" type="checkbox"/> Accounting	<input checked="" type="checkbox"/> External control	<input checked="" type="checkbox"/> Individual consultants	

#### 2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Special features of fiduciary execution	<p>The Ministry of Economy and Finance (MEF) will be the project executing agency, acting through the General Office of Investment and Projects (OGIP) for fiduciary management and the project coordination unit (PCU) of the Office of the Deputy Minister for Finance (VMH) for technical management, with the participation of the Directorate General of Supply (DGA) for strategic coordination. The functions and coordination and communication relationships will be specified in the project <a href="#">Operations Manual</a>.</p> <p>The OGIP will act as direct interlocutor with the Bank and will be the unit responsible for project management with administrative and financial autonomy. It will be in charge of coordination and management functions, especially relating to budget, accounting, treasury, and procurement, following IDB rules and procedures and country policies. To date, the OGIP is executing operation 4428/OC-PE, which has had clean audit opinions, and operation 5301/OC-PE, which started in 2022.</p>
-------------------------------------	---	---

#### 3. Fiduciary capacity

Fiduciary capacity of the executing agency	<p>The institutional capacity assessment of the OGIP and the PCU concluded that they have sufficient capacity to execute the project, exhibiting satisfactory development and a low level of fiduciary risk. However, the need has been identified to strengthen the project team to meet the additional demands of taking on this new operation.</p>
--	---

<sup>1</sup> Any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of the Bank's validation.

4. Fiduciary risks and risk response

Risk taxonomy	Risk	Risk level	Risk response
Economic and financial	If experience in following the Bank's fiduciary procedures is insufficient, then this could result in difficulties in preparing technical specifications for complex purchases, leading to delays and higher costs for project implementation.	Low	The project procurement plan and itemized budget have been based on local market realities in terms of demand/supply, so the programming of expenditures is grounded in actual procurement timelines.

5. Policies and guidelines applicable to the operation: Financial Management Guidelines for IDB-financed Projects (document OP-273-12), Disbursement Instructions, Audited Financial Reports and External Audit Management Handbook. Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-15) and Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-15).

6. Exceptions to policies and guidelines: None.

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

**Exchange rate:** For the purposes of Article 4.10 of the General Conditions, the parties agree that the exchange rate to be used will be the exchange rate in effect on the date on which the currency of approval or currency of disbursement is converted into the local currency of the borrowing member country. For the purpose of determining the equivalency of expenditures incurred in local currency chargeable against the local contribution or the reimbursement of expenditures chargeable against the loan, the agreed exchange rate will be the rate on the effective date on which the borrower, the executing agency, or any other person or corporation with delegated authority to incur expenditures makes the respective payments to the contractor, vendor, or beneficiary.

**Type of audit:** The OGIP will deliver the project's final annual audited financial statements, with specific terms of reference acceptable to the Bank, within 120 days after the end of each of the reporting periods of the borrower during the original disbursement period or as extended. The final audit report will be delivered within 120 days after the end of the original disbursement period or as extended.

## III. PROCUREMENT EXECUTION AGREEMENTS AND REQUIREMENTS

<input checked="" type="checkbox"/>	Bidding documents	Procurements of works, goods, and nonconsulting services subject to international competitive bidding will be executed in accordance with the procurement policies (document GN-2349-15), using the Bank's standard bidding documents or those agreed upon by the
-------------------------------------	-------------------	---



		executing agency and the Bank for the procurement in question. Consulting services will be selected and contracted in accordance with the consultant selection policies (document GN-2350-15) using the standard request for proposals issued by the Bank or agreed upon by the executing agency and the Bank for the selection in question. For national competitive bidding (NCB), a procurement document will be developed and agreed upon between the relevant country authority and the Bank. The project's sector specialist is responsible for reviewing the technical specifications and terms of reference for procurements during the preparation of selection processes. This technical review may be ex ante and is independent of the procurement review method.						
<input checked="" type="checkbox"/>	Use of country systems	The Board of Executive Directors have approved advanced use of Peru's country procurement system (document GN-2358-22 of 2017), so that system may be used after the actions included in the approved Report for Acceptance of Use of the Country Procurement System in Peru have been implemented and the procurement plans have been amended. The subsystems for electronic reverse auctions and electronic price lists under framework agreements may be used after the implementation phase for the recommendations before their use has been completed.						
<input checked="" type="checkbox"/>	Procurement supervision	<p>The supervision method will be ex post, except where ex ante supervision is warranted. For procurements executed through the country system, supervision will be through the country supervision system. The method: (i) ex ante, (ii) ex post, or (iii) country supervision system will be determined for each selection process. Ex post reviews will be in accordance with the project supervision plan, subject to change during execution. Ex post review reports will include at least one physical inspection visit (the inspection verifies the existence of the procurements, leaving verification of quality and compliance with specifications to the sector specialist), chosen from among the procurement processes subject to ex post review at least 10%. The thresholds for the ex post review are as follows:</p> <table border="1"> <thead> <tr> <th>Works</th><th>Goods/Services</th><th>Consulting services</th></tr> </thead> <tbody> <tr> <td>US\$3,000,000</td><td>US\$250,000</td><td>US\$200,000 firms US\$50,000 individuals</td></tr> </tbody> </table>	Works	Goods/Services	Consulting services	US\$3,000,000	US\$250,000	US\$200,000 firms US\$50,000 individuals
Works	Goods/Services	Consulting services						
US\$3,000,000	US\$250,000	US\$200,000 firms US\$50,000 individuals						

Main procurements

Description of procurement	Selection method	Estimated date	Estimated amount (US\$000s)
<b>Goods</b>			
Procurement of system software (Windows, Linux, and Application Server)	ICB	04/01/2023	1,150
Procurement of energy efficient computer hardware for the SNA, covering storage, communications, and computing equipment	ICB	05/01/2023	8,900
<b>Nonconsulting services</b>			
Cloud support service – analytics and equipment	ICB	08/01/2023	3,500
<b>Consulting firms</b>			
Implementation of a technical assistance program for SNA human resources	QCBS	09/01/2023	4,000
Implementation of the personal property management tool covering transportation, warehousing and disposal of assets, and georeferencing	QCBS	12/01/2023	3,600
Development of public supply processes	QCBS	08/01/2023	3,686
Implementation of support tools for DGA operations	QCBS	10/1/2023	13,950

To access the procurement plan, see [here](#).

#### IV. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

☒	Programming and budget	Expenditures related to project activities must be viable under the policies issued by the MEF. The Invierte.pe National System for Multiyear Programming and Management of Investments streamlines the approval of investment projects and makes their execution more flexible at the three levels of government. The annual programming and budget will be prepared as established by the MEF's Directorate General for the Public Budget. Preparation of the multiyear execution plan and, on that basis, the annual budget will take the project disbursement schedule into account. The budget allocated to the project will be approved by the MEF and the Congress of the Republic and reported annually to the Bank. The budget will be administered under the Integrated Financial Administration System (SIAF).
☒	Treasury and disbursement management	<p>The project will use the country's treasury system, following the directives of the Directorate General for Borrowing and Public Treasury]. Expenditures are subject to the budgetary and financial execution process, and the data relating to their formalization under the policy framework applicable to each stage (commitment, obligation, warrant and disbursement) will be recorded in the SIAF Project Execution Module. The Bank's disbursements will be deposited in the Treasury Single Account.</p> <p>Disbursements will be made based on the project's actual liquidity needs. The OGIP will submit the disbursement request to the Bank, together with a financial plan that will initially cover expenditure projections for up to 180 days. The level of justification for disbursements will be at least 80% of the total accumulated balances pending justification, using the Bank's formats. The loan proceeds may be disbursed via the modalities of advance of funds, reimbursement of expenditures, and direct payment to the supplier.</p> <p>External auditors will conduct the ex post review of the records and supporting documentation for the activities and transactions. All documents and records must be kept for at least three years from the date of the last disbursement. Expenses that are not Bank-eligible will be reimbursed with the local contribution.</p>
☒	Accounting, information systems, and reporting	The integrated SIAF Project Execution Module will be used for project accounting and reports (including disbursement requests), exchange rate control, and others required by the Bank, offering transparency and specific controls in budget execution. Accounting will be on a cash basis in accordance with International Accounting Standards, following the directives of the National Public Accounting Office.
☒	Internal control and internal audit	The control environment, control activities, communication and information, and monitoring of the project execution unit's activities are governed by the country's rules and regulations, which are based on the Law Establishing the National Control System and the Office of the Comptroller General of the Republic (CGR).

<input checked="" type="checkbox"/>	<p>External control and financial reports</p>	<p>Within the framework of the role of the CGR (apex agency of the National Control System) and its regulations, the external audit of projects is outsourced to Bank-eligible independent audit firms. The independent audit firms are regularly evaluated by the Bank. The CGR authorizes the independent audit firm selection and procurement process in accordance with Bank policies for the entire project execution period, including extensions of the last disbursement.</p> <p>The project's audited financial statements include: statement of cash flows, statement of cumulative investments, notes to the financial statements, and the discussion and analysis by project management's (OGIP/PCU). The audit report will include an assessment of the internal control system. External audits will be covered by the loan proceeds.</p>
<input checked="" type="checkbox"/>	<p>Financial supervision of the operation</p>	<p>Financial supervision includes support to the executing agency during the launch workshop, regular visits in coordination with the Project Team Leader, review of the audited financial statements, and other actions to be determined as program execution proceeds (training workshops, if necessary).</p>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/22

Peru. Loan \_\_\_\_/OC-PE to the Republic of Peru  
Improvement of the Public Supply Service  
for Goods, Services, and Works

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Peru, as borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the project "Improvement of the Public Supply Service for Goods, Services, and Works". Such financing will be for the amount of up to US\$50,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_ 2022)