

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PERU

**PROJECT TO BOOST EFFICIENCY IN PUBLIC INVESTMENT MANAGEMENT
AND PUBLIC PROCUREMENT**

(PE-L1231)

LOAN PROPOSAL

This document was prepared by the project team consisting of: José Larios (FMM/CPE), Project Team Leader; Edna Armendáriz (IFD/FMM); Martín Ardanaz (FMM/CNI); Juan Luis Gómez (FMM/CEC); Andrés Muñoz (FMM/CBR); Agnes Rojas (FMM/CPE); Huascar Eguino, Ida M. Fernández, and Mariana Canillas (IFD/FMM); María José Rodríguez Pascual (CAN/CPE); Roig Rodríguez (ITE/IPC); Gabriele del Monte (VPC/FMP); Allizon Milicich (VPC/FMP); Pilar Jimenez de Arechaga (LEG/SGO); and Marcio Cracel (Consultant).

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REQUIRED
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2. Monitoring and evaluation plan
3. Procurement plan
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2. Itemized budget
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4. Bibliographic links
5. International evidence
6. Safeguard policy filter report and safeguards screening form

ABBREVIATIONS

DGIP	Dirección General de Inversión Pública [Public Investment Bureau]
IEU	Investment execution units
INFOBRAS	Sistema de Información de Obras Públicas [Public Works Information System]
km	kilometers
LIBOR	London Interbank Offered Rate
MEF	Ministry of Economy and Finance
OECD	Organisation for Economic Co-operation and Development
OPMI	Oficina de Programación Multianual de Inversiones [Multiyear Investment Programming Office]
OSCE	Organismo Supervisor de Contrataciones del Estado [Government Procurement Oversight Agency]
PIP	Public investment project
POM	Project Operations Manual
SEACE	Sistema Electrónico de Contrataciones del Estado [Electronic Government Procurement System]
SERVIR	Autoridad Nacional de Servicio Civil [National Civil Service Authority]
SIAF	Sistema Integrado de Administración Financiera [Integrated Financial Management System]
SNIP	Sistema Nacional de Inversión Pública [National Public Investment System]
UCCTF	Technical and Financial Cooperation Coordination Unit
UITs	Unidades Impositivas Tributarias [tax units]

PROJECT SUMMARY

PERU

PROJECT TO BOOST EFFICIENCY IN PUBLIC INVESTMENT MANAGEMENT AND PUBLIC PROCUREMENT

(PE-L1231)

Financial Terms and Conditions				
Borrower: Republic of Peru			Flexible Financing Facility^(a)	
			Amortization period:	13 years
Executing agency: Ministry of Economy and Finance (MEF)			Disbursement period:	6 years
			Grace period:	11.5 years ^(b)
Source	Amount (US\$)	%	Interest rate:	LIBOR-based
IDB (Ordinary Capital):	65,000,000	88	Credit fee:	^(c)
Local:	8,750,000	12	Inspection and supervision fee:	^(c)
Total:	73,750,000	100	Weighted average life:	12.08 years
			Approval currency:	U.S. dollars
Project at a Glance				
Project objective/description:				
The objective is to strengthen public investment management and public procurement, to help narrow the investment gaps in key economic sectors and geographical areas of the country. The specific objectives are to: (i) improve public investment management for effective service delivery and provision of priority infrastructure; and (ii) build the capacity to generate knowledge and for continuous improvement in public procurement management within the public investment cycle.				
Special contractual conditions precedent to the first disbursement of the loan: (i) the Project Operations Manual (POM) for each subexecuting agency has been approved, under terms and conditions previously agreed with the Bank; and (ii) the coordinator for each subexecuting agency has been hired and/or appointed, in keeping with the profiles agreed with the Bank and any further requirements set out in the respective POM (paragraph 3.2).				
Special contractual conditions for execution: None.				
Exceptions to Bank policies: None.				
Strategic Alignment				
Challenges:^(d)	SI	<input checked="" type="checkbox"/>	PI	<input checked="" type="checkbox"/>
			EI	<input type="checkbox"/>
Crosscutting themes:^(e)	GD	<input checked="" type="checkbox"/>	CC	<input type="checkbox"/>
			IC	<input checked="" type="checkbox"/>

^(a) Under the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule as well as currency and interest rate conversions. When considering such requests, the Bank will take operational and risk management considerations into account.

^(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are possible provided that the original weighted average life of the loan and the date of last payment, as documented in the loan contract, are not exceeded.

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

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale

- 1.1 **Macroeconomic context.** From 2006 to 2015, Peru's economy saw major growth. Gross domestic product (GDP) grew by a factor of 1.8, at an average annual rate of 6% in real terms [1],¹ outpacing the average for Latin America (3.1%) [2]. The rise in commodity prices, fiscal and monetary discipline, and a favorable investment climate drove this growth, which was reflected in higher income for the population.² From 2004 to 2014, the total incidence of poverty was reduced from 58.7% to 22.7%—a bigger drop than the Latin American average (which fell 11 percentage points to 28.2%) [2], and inequality also lessened.³ Changes in the international context, such as lower demand from trading partners like China, falling mineral prices, and the U.S. Federal Reserve's benchmark interest rate adjustment, have slowed growth in Peru and in the region as a whole. The Peruvian economy went from growing by nearly 7% (in real terms) over the 2006-2010 period to growing 4.6% over the last six years. The projected growth rate for 2017 is 2.7% [4].
- 1.2 **Public investment context.** Peru doubled its level of public investment, from 2.9% of GDP in 2002 to an average of almost 6% of GDP during 2010-2014, keeping above the regional average of 4.1%. This increase occurred despite the fact that the procedures under the National Public Investment System (SNIP)⁴ in place at the time were complex, the average Public Investment Project (PIP) amount was small,⁵ and the impact on the quality of public investment was limited. The infrastructure gap in such sectors as transportation, housing, education, health, agriculture, and citizen security reached approximately US\$70 billion, or 35% of GDP [5]. A study of public investment expenditure and coverage gaps found that in most sectors, resources are allocated by the central, regional, and local governments without any requirement to give priority to regions with lower levels of service coverage [6].⁶ The subnational governments are responsible for implementing a large portion of PIPs: local governments execute 40% of investment, regional governments 19%, and the central government 41% (average for 2014-2016) [7].
- 1.3 The impact of public investment on gap closure and growth depends largely on the existence of effective institutions that can manage that investment. Peru, when compared with other developing and advanced countries, rates poorly in terms of impact per GDP percentage point of investment expenditure. According to estimates from the Bank's Fiscal and Municipal Management Division, Peru's investment

¹ The numbers in brackets correspond to the bibliographical references, which may be found by clicking on this [link](#).

² Real per capita GDP grew 75% from 2000 (US\$2,527) to 2016 (US\$4,418).

³ The Gini coefficient dropped from 0.51 in 2004 to 0.44 in 2015 [3].

⁴ The system was created in 2000 and remained in effect through November 2016. It had the Dirección General de Inversión Pública [Public Investment Bureau] (DGIP) as the lead agency and involved more than 6,500 deconcentrated entities—834 national government agencies, 541 regional agencies, 5,046 local agencies, and 99 State-owned companies.

⁵ A feasibility statement can take up to two years, and the average amount declared feasible (*monto viable*) ranges from US\$400,000 (local government) to US\$1.84 million (regional government).

⁶ Per capita public investment levels are weakly correlated with local needs: variables that measure access to basic services (water/electricity), and others, such as extreme poverty, account for less than 8% of the variation in investment expenditure.

expenditure efficiency score fell in the bottom decile of a sample of about 60 countries: the frontier analysis suggests that Peru could improve the quality of its infrastructure by 46% with the same level of investment.⁷ To enhance efficiency, Peru has adopted global best practice recommendations for decentralized investments, particularly those of the Organisation for Co-operation and Economic Development (OECD) [9], which serve to mitigate the many public investment management challenges, grouped under the following pillars: (i) interagency coordination and adoption of effective tools; (ii) improvement of the framework for investment monitoring and transparency; and (iii) capacity-building and promotion of policy learning at all levels of government. As will be described in detail below, the main reforms to Peru's public management system fall within this framework.

- 1.4 **Public investment management reform.** To address its public investment management challenges, the Government of Peru created a new National System for Multiyear Programming and Investment Management (called *Invierte.pe*), to replace the SNIP.⁸ *Invierte.pe* is based on the pillars of the OECD model [10], and seeks to steer public investment toward effective delivery of the services and infrastructure the country needs, in order to obtain the greatest socioeconomic impact. Unlike its predecessor, which was geared primarily to the initial phases of the project cycle (preinvestment),⁹ *Invierte.pe* has four comprehensive phases: (i) multiyear investment programming; (ii) project development and ex ante appraisal (producing technical factsheets, profiles, and feasibility studies); (iii) execution (compiling technical files); and (iv) performance (operation/maintenance and ex post evaluation). The system targets investments by selecting strategic project portfolios based on priority needs (to narrow gaps),¹⁰ and simplifies the preinvestment phase by using typology-based studies to correctly size projects and their costs.¹¹ In contrast to an overly centralized approach, this one seeks to strengthen the capabilities of the system's operators, mainly at the subnational level.¹² Lastly, an Investment Monitoring System (computer application) was created to strengthen the monitoring and transparency of the entire process, including interoperability with the Organismo Supervisor de Contrataciones del Estado [Government Procurement Oversight Agency] (OSCE) and the ex post evaluation.

⁷ The (technical) efficiency of public investment expenditure was quantified using the data envelopment analysis method, which defines efficiency as the relative distance between actual performance and a frontier with optimal combinations of inputs and outputs. Values range from 0 to 1. For Peru, the result was 0.54. Public investment expenditure (as a percentage of GDP) was used as the input; the output was the infrastructure quality score from the World Economic Forum's Global Competitiveness Report [8].

⁸ Alternative investment mechanisms have also been strengthened, such as public-private partnerships and Works for Taxes.

⁹ The SNIP's excessive focus on the preinvestment phase created a bottleneck, since it used cumbersome methodologies for developing projects, regardless of their scope.

¹⁰ Smaller-scale initiatives aimed at closing gaps, such as the Fund for the Promotion of Regional and Local Public Investment, did not produce the desired impact (MEF, 2016).

¹¹ Recurring/replicable PIPs will use standardized technical factsheets, and investments under 750 *unidades impositivas tributarias* [tax units, equivalent to about US\$1,250] (UIT) will use simplified factsheets. Complex projects, or projects costing more than 15,000 UIT will require profile-level studies, and those for more than 407,000 UIT will require enhanced profile studies. Between 70% and 80% of the investment budget will involve standardized factsheets (MEF, 2017). Optimization/replacement/rehabilitation investments will not be considered PIPs.

¹² With the SNIP, the MEF intervened too much in the investment process. Under *Invierte.pe*, it is only involved in the programming phase (budget allocation) and at the end of the project, setting ex post evaluation criteria.

- 1.5 Against this backdrop, the main challenge to mitigate involves management weaknesses that undermine the economic and social impact of public investment. The three specific problems and their determining factors are:
- a. **Weak interagency coordination and limited capacity to support investment programming and execution.** The main causes of this problem are:
 - (i) **An ineffective framework for organizing and coordinating among the actors in the public investment system.** Specifically: (i) There are no effective mechanisms for coordinating public investment policy and management. The lack of coordination is both horizontal and vertical (among ministries and central government agencies, between central agencies and OSCE, the subnational governments, and even within the Ministry of Economy and Finance (MEF)).¹³ Additionally, there is overlap and a lack of clarity in the roles and responsibilities of operators¹⁴ at the three levels of government; and (ii) There is a lack of integration between the national planning process, public procurement, and the setting of priorities for investment resource allocation. This disconnect has produced delays in project approval and execution,¹⁵ higher implementation costs,¹⁶ a failure to take advantage of economies of scale, and greater project fragmentation,^{17,18} making it more difficult to close gaps.
 - (ii) **Limited information and outdated methodologies in the investment cycle.** Specifically: (i) There is a lack of reliable statistical data on investment gaps in priority sectors, and no National Infrastructure Plan to provide a comprehensive vision of investment needs [12]; (ii) PIPs are not developed/appraised based on proper quality standards and are not necessarily focused on closing gaps. For instance, 43% of the projects developed by subnational governments are not aligned with gap closure in strategic sectors [12]; (iii) monitoring of the investment execution phase focuses solely on financial considerations, not physical progress [12]; (iv) although the regulations call for ex post evaluations, performing them is not standard practice [12]; and (v) public investment is not properly coordinated with private-sector initiatives. This has led to deficiencies in ex ante appraisal

¹³ One example is coordination of the budget appropriations granted by the MEF Budget Office, with investments prioritized based on multiyear investment programming.

¹⁴ There are 1,429 multiyear investment programming offices (OPMI), 2,930 development units, and 2,161 investment execution units (IEUs).

¹⁵ At the regional government level, 25% of projects were declared feasible within one year and 7% in two years [12].

¹⁶ The average cost overruns as a percentage of the amounts declared feasible are 28.5% for the central government, 25.9% for the regional governments, and 28.2% for local governments [11].

¹⁷ The average amount declared feasible per project at the regional government level is US\$1.84 million, and for provincial and district governments, US\$0.55 million and US\$0.4 million, respectively [12].

¹⁸ While the use of technical factsheets under Invierte.pe will make it possible to simplify and speed up project development, it could potentially create incentives to continue fragmenting projects. This will be mitigated by institution-strengthening measures, as will be explained later.

methodologies¹⁹ and the absence of ex post evaluation systems in public-private partnership (PPP) and Works for Taxes (Oxl) projects [12].

- (iii) **Weak programming support tools.** (i) Multiyear programming is basically incremental, keeping the spending structures from previous years, and lacks estimates for most public service costs, which would permit strategic programming based on gaps and needs in terms of the operation/maintenance of investments;²⁰ (ii) investment is managed without information relating to the social prices of goods, services, or factors of production,²¹ which would make it possible to conduct a social evaluation in key sectors;²² and (iii) there is no model for strategic management of public assets, or up-to-date asset inventory data. This makes it impossible to identify the need for asset replacement and, therefore, to estimate the infrastructure gap.
- (iv) **Lack of tools to support efficient execution.** Considerable delays occur in the execution phase,²³ owing partly to inefficiencies in public procurement processes, namely:²⁴ (i) too few participants in selection processes owing to the complex, obscure procurement rules, barriers to participation, and insufficient publicizing of calls for bids; (ii) the limited scope of requirement planning mechanisms or tools for public procurement; (iii) lack of standard procurement documents [12]; and (iv) the nonexistence of systematized data on benchmark prices for goods and services, which means that public procurements are not necessarily based on market prices.²⁵

b. **Limited mechanisms for monitoring, evaluation, and transparency in investment management.** At present, there are several computer applications²⁶ that are not integrated with one another nor with other relevant public management platforms.²⁷ The emphasis on the preinvestment phase combined with the lack of an information system that is integrated with the various phases that make up the public investment cycle (at the national/subnational level) leads investment to be executed in an uncoordinated way, without monitoring/followup, and without an integrated vision. The main factors causing this problem are:

- (i) **Inadequate information management.** Specifically: (i) The information needed to record and analyze data so as to manage

¹⁹ The absence of a quantitative analysis of value for money in developing public-private partnership projects introduces excessive discretion in determining eligibility.

²⁰ *Las Novedades del Nuevo Sistema de Inversión Pública* [13].

²¹ Examples are the social discount rate and the social value of work.

²² The most recent [input-output matrix](#) is from 2007.

²³ In the last 10 years, the difference between planned and actual execution times was 1.5 years. The gap between approvals and executed projects was 32% in 2016 [13].

²⁴ OSCE Institutional Strategic Plan 2017-2019 (2017).

²⁵ The [Electronic Government Procurement System \(SEACE\)](#) does not include this information.

²⁶ There are some 12 computer applications [13].

²⁷ Integrated Financial Management System (SIAF), SEACE, Public Works Information System (INFOBRAS), geographic information systems, and public goods.

investments in keeping with OECD standards is not available.²⁸ The current [Banco de Inversiones \[Investment Databank\]](#) [13] has structural problems that undermine the quality of the data gathered and limit analysis;²⁹ and (ii) No comprehensive investment management information system promoting information transparency is available to government operators and citizens.³⁰

- (ii) **Weak tools to support decision-making.** There is no information platform enabling the data generated by the integrated investment management system to be analyzed, in order to generate reports on how the investment system is working and provide feedback for public investment decision-making [12].
- (iii) **Insufficient information infrastructure to host and run the public investment systems.** The MEF's current information infrastructure has the capacity for its own management systems and updates (SIAF, Investment Databank), but not for a system on the scale of Invierte.pe, which manages the entire investment cycle and is linked with other applications.³¹
- (iv) **Inadequate management and transparency of electronic procurement.** The SEACE does not have the technology, coverage, or enough information for efficient management and effective procurement decision-making by public agencies or vendors.³² Specifically, the SEACE: (i) is not sufficiently automated or transactional and does not cover all phases of the procurement process, which raises transaction/administrative costs; (ii) has insufficient information availability and accessibility, for public agencies as well as for vendors; (iii) lacks mechanisms to ensure that information is recorded in a consistent, timely manner; (iv) is not integrated with the government's other electronic platforms (SIAF, National Vendor Registry, among others); (v) does not facilitate the compilation of statistical data on procurement for purposes of conducting analytic assessments of the system's performance; and (vi) does not have mechanisms for regular evaluation and analysis of complaints and queries.

- c. **Knowledge gaps amongst the human capital tasked with managing the investment system.** The technical capabilities of the operators tasked with managing public investment are lacking, mainly at the decentralized level,³³ according to the findings of a public investment management knowledge

²⁸ Alignment with the OECD would require the Investment Databank to also store information relating to the programming/execution/performance phases.

²⁹ About 80% of the Investment Databank tables are not linked and about 46% of the information stored is not parametric (text), which limits the analysis that can be done [13].

³⁰ The [MEF website](#) does not present complete information.

³¹ Detailed study of the SNIP information systems currently in operation [13].

³² OSCE Institutional Strategic Plan (2017) [15].

³³ The SNIP was designed to be a decentralized system, with a transfer of development/appraisal responsibilities, but this transfer was not accompanied by increased capabilities for quality identification/programming/development.

assessment administered to SNIP operators by the National Civil Service Authority (SERVIR) in 2013.³⁴ The main causes are:

- (i) Absence of a human capital development, recruitment, and retention strategy, as: (i) there is no standard technical or professional training for operators [16] on each of the phases of investment; (ii) women are underrepresented among operators;³⁵ and (iii) the process for hiring specialists to perform the studies for the various phases of the cycle does not involve systematized tools to ensure proper selection and coaching.
- (ii) There is no ongoing training and learning system for operators, or systematized, up-to-date information regarding their capabilities and knowledge, to provide a baseline for developing a capacity-building strategy.
- (iii) Because Invierte.pe was just introduced, operators have little information as to their roles, responsibilities, and how to use new processes and tools, which poses the challenge of overcoming resistance to change and providing targeted support to operators, especially at the subnational level, where capabilities are quite mixed [17].
- (iv) As regards public procurement, there is no up-to-date, sustainable training and skills certification system³⁶ with a professionalization focus [15]. The findings of SERVIR's 2014 evaluation of staff in charge of procurement at government agencies showed that 22% did not have optimum knowledge and 41% needed to reinforce their knowledge.

1.6 **Bank experiences and lessons learned.** The project is part of the Bank's support for strengthening public investment management in the region at the national/subnational level and will continue the process of improving public investment management in Peru. Important lessons were learned from the project "Improvement of Territorial Public Investment Management" (loan 2703/OC-PE)³⁷ and other operations in the region.³⁸ Additionally, the Bank has generated regional

³⁴ The percentage of employees who passed the test at the national, regional, provincial, and district level is 64%, 58%, 41%, and 32%, respectively. At the national level, developers and appraisers represent 45% and 23% of all operators; the respective figures are 46% and 24% at the regional level, 34% and 17% in provincial governments, and 28% and 8% in district governments. *Informe de Resultados del Diagnóstico de Conocimientos del SNIP* [14].

³⁵ Nationally, one of every four Invierte.pe operators is a woman. The ratio is five to one at the district level. This could influence the priority given to investments to mitigate inequity. For instance, of all PIPs declared feasible in 2001-2011, only 0.41% had a focus on gender, women, equal opportunities, and child protection (MEF, 2012). The literature indicates that gender differences reflect gaps in the ability of gender groups to express their preferences. In Bolivia, women directed more resources to education, health, and environmental protection and less to infrastructure (Yañez-Pagans, 2014).

³⁶ *Diagnóstico del Sistema de Adquisiciones Públicas del Perú* (IDB, World Bank, MEF, OSCE, 2016).

³⁷ Current loan, with execution ending in June 2018.

³⁸ Argentina (loan 3835/OC-AR), Bolivia (loan 3534/BL-BO), Chile (loan 1281/OC-CH), Ecuador (loan 2585/OC-EC), Mexico (loan 2550/OC-ME), Paraguay (loan 3628/OC-PR), and Panama (loan 2568/OC-PN).

knowledge on public investment management³⁹ and has supported regional seminars.⁴⁰ Among the lessons are: (i) the operation's design must be based on the country's institutional landscape; (ii) the quality of the preinvestment phase is not strengthened by the mass hiring of individual consultants who do not share knowledge with local civil servants; (iii) the IEUs perform budget management, not management for development results; (iv) failing to strengthen the entire public investment management cycle carries the risk of obtaining partial results; (v) where capacity-building is included, especially at the subnational level, the sustainability of results must be ensured; (vi) when implementing software tools, it is important to integrate them with existing complementary systems; (vii) it is important to include professionals with operational and computer experience as key members of the execution team; and (viii) evaluation strategies need to be improved so they can identify the impacts of interventions, and thus help generate knowledge and evidence pertaining to public investment management.

- 1.7 **International evidence.** The empirical literature [18] shows that the economic/social return on public investment depends partly on how efficiently it is executed, and highlights the importance of strengthening the institutional framework in improving public investment outcomes in developing countries. The experiences of other emerging countries, and their potential application to the case of Peru, are detailed in this [link](#).
- 1.8 **Strategic alignment.** The project is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and is aligned with the challenges of: (i) social inclusion and equality, in that it focuses on investment aimed at narrowing gaps and better providing inclusive services/infrastructure; and (ii) productivity and innovation, as it will increase public investment geared to narrowing gaps, strengthening human capital, and developing efficient management methods for investment planning, thereby facilitating access to reliable, accessible public services. The project is also aligned with the crosscutting issues of: (i) institutional capacity and the rule of law, because of its institution-strengthening for effective management of public investment resources; and (ii) gender equity and diversity, because it promotes more training and participation of women in the public investment system. Additionally, the project will contribute to the Corporate Results Framework 2016-2019 (document GN-2727-6) through institutional strengthening of technology and management tools for improved public services delivery, and an increase in the number of women benefiting from economic empowerment initiatives. The project is aligned with the country strategy with Peru 2017-2021 (document GN-2889), in that it contributes to the strategic objective of strengthening public management. It is also consistent with the Sector Strategy on Institutions for Growth and Social Welfare (document GN-2587-2), as it supports the quality of capital expenditure, and with the Fiscal Policy and Management Sector Framework Document (document GN-2831-3) as relates to institution-strengthening for PIP design and management. Lastly, the project aligns with the Multiyear Macroeconomic Framework 2018-2021 and with the Peruvian government's Macro

³⁹ Other countries' investment system experiences and empirical evidence, and empirical evidence from public investment management efficiency indices were used. See: *Innovaciones en Sistemas de Inversión Pública: Los Casos de Perú y Corea y las Lecciones Aprendidas* [Innovations in Public Management Systems: The Cases of Peru and Korea and Lessons Learned] (operation ATN/KR-13949-RG); and *Gasto de Inversión Pública en América Latina* (operation RG-K1392).

⁴⁰ Colombia-2015, Paraguay-2016, Peru-2017.

Fiscal Policy Statement, by helping to improve public investment management with a view to narrowing gaps.

B. Objectives, components, and cost

- 1.9 The objective is to strengthen public investment management and public procurement, to help narrow the investment gaps in key economic sectors and geographical areas of the country.⁴¹ The specific objectives are to: (i) improve public investment management for effective service delivery and provision of priority infrastructure; and (ii) build the capacity to generate knowledge and for continuous improvement in public procurement management within the public investment cycle.
- 1.10 This will be accomplished by: (i) revising rules and guidelines and increasing coordination across all phases of public investment, including public procurement; (ii) enhancing transparency in the investment cycle and its links with public procurement, and increasing integration and information interoperability for public investment management and public procurement decision-making; and (iii) building the capacity of the human capital in charge of management.⁴² To achieve the proposed objectives, the project would execute the following components and lines of action:
- 1.11 **Component I. Building the capacity of the institutional framework (US\$14.4 million).** This component will include activities focused on revising the institutional architecture for public investment, with implementation of the new [National System for Multiyear Programming and Investment Management](#) [13] and its linkage with the public procurement process, specifically increasing capacity in the areas of regional/sector agency coordination, and development and quality ex ante/ex post evaluation of projects prioritized using a gaps approach.⁴³ To that end, it will finance the following lines of action primarily:⁴⁴
- a. **Improvement of the organizational framework**, which allows for linkages among Invierte.pe operators within and between agencies and between the three levels of government, including the following activities: (i) development of standards for the institutional architecture to bring together planning, public investment expenditure allocation, and the budget process; and (ii) formulation of standards/mechanisms for developing projects of major size that better contribute to closing gaps.⁴⁵
 - b. **Development of methodologies for the project cycle.** Preparation and/or updating of methodologies linked to public investment management: multiyear

⁴¹ The diagnostic assessment for prioritizing gaps and determining the order in which they should be addressed will have a geographic approach, focusing (among other criteria) on the regions identified as priorities.

⁴² The project's main beneficiary is the country's population, which will enjoy better quality, more sustainable investment in priority investment sectors. The system operators will be the users of the project's outputs. Of a total of 4,642 OPMI, development unit, and IEU operators, 2,720 will receive training under this operation.

⁴³ This approach will seek to determine the sector gaps that need to be addressed as a priority, such as access, coverage, income, gender, service level, and other gaps. The design of this model will be financed by operation ATN/OC-16233-PE, which is supporting this project.

⁴⁴ These activities are functional and technical inputs that will feed into the Investment Monitoring System to be developed under Component II.

⁴⁵ Standards will be proposed to promote the development of scaled-up projects, as will incentives to encourage subnational governments to join together to develop and implement investments.

investment programming, project formulation and evaluation, execution and operation, including the following activities:⁴⁶ (i) a model for gap identification, valuation, and projection, including development of the National Infrastructure Plan; (ii) a project development mechanism that will incorporate networking, territorial, and multipurpose approaches,⁴⁷ climate change resilience, and innovative methodologies for supporting project development;⁴⁸ (iii) an integrated methodology for supporting execution monitoring; and (iv) an integrated methodology for supporting ex ante and ex post evaluations of projects financed exclusively with public resources as well as public-private partnership and Works for Taxes projects.

- c. **Development of support tools.** Develop instruments and/or tools to support multiyear investment programming, project formulation and evaluation, execution and operation, including the following activities: (i) support for implementing the multiyear public investment projection model (centralized, based on inputs from sector/subnational operators) that links budget planning with the gap-closure-oriented investment portfolio; (ii) development and implementation of a model for updating and improving social evaluation criteria; and (iii) development and implementation of a model for nonfinancial public asset management (movable/immovable assets).⁴⁹
 - d. **Tools for making public procurement and investment execution more efficient,**⁵⁰ including: (i) improvement of the organizational framework allowing for coordination among the operators and generating mechanisms to encourage more vendors to participate in public procurement processes (results-based management and maximizing value for money), as well as revision and simplification of procurement laws and administrative procedures, and identification of barriers to entering the government market; (ii) redesign of the OSCE portal to better publicize public procurement and vendor information; (iii) development and implementation of a procurement process management model aimed at managing for results and maximizing value for money that incorporates efficiency, effectiveness, and transparency approaches; and (iv) development of tools for implementing innovation management and public procurement quality that include: standard documents for frequent procurement types for project development and execution; and a model for consulting benchmark prices for procurement, among other instruments.
- 1.12 **Component II. Development and implementation of a public investment management information system that is interoperable with other public finance management systems (US\$33.3 million).** This component seeks to improve monitoring, evaluation, and accountability in public investment

⁴⁶ The activities to be carried out will seek to increase the availability of information and methodological tools for planning, formulating, evaluating, and monitoring projects, with an emphasis on closing gaps.

⁴⁷ These approaches will allow for strategic/coordinated project planning among the different levels of government.

⁴⁸ Such as cost-effectiveness (to promote regional development) and multicriteria (equity objectives) analyses.

⁴⁹ This system will be centralized and must be incorporated into the SIAF and aligned with the International Public Sector Accounting Standards. Recording of assets is the responsibility of each entity and will be automated through the SIAF.

⁵⁰ The OSCE will have technical responsibility for this, which will allow for the development and implementation of mechanisms that promote efficiency in executing public procurement.

management based on an integrated information system that covers the different phases and logically incorporates: (i) programming, development, and ex ante appraisal; (ii) execution; (iii) monitoring and follow-up; (iv) system performance; (v) ex post analysis; and (vi) transparency.⁵¹ To this end, the following lines of action will be financed primarily:

- a. **Adaptation and implementation of the Investment Databank** and its database containing all the information for managing each phase of the investment cycle and forms for data capture.
- b. **Implementation of the integrated information system for managing the entire public investment cycle**, by implementing an off-the-shelf workflow application⁵² that includes modules for programming, development and appraisal, execution, and performance.⁵³
- c. **Development of interfaces with other government management systems**, such as SIAF, INFOBRAS, SEACE, and the Presidency of the Council of Ministers, and with other support tools;
- d. **Development and implementation of an application** to automate the public investment management support tools.
- e. **Implementation of an off-the-shelf computer system** for public asset inventory management.
- f. **Implementation of an innovation laboratory** for public investment management.
- g. **Upgrade of the technology platform** to run the information systems and applications to support Invierte.pe, including hardware/software, data security and access tools, and user licenses.
- h. **Implementation of a smart, multichannel helpdesk** to provide support to system users.⁵⁴
- i. **Improvement of electronic procurement management and transparency**,⁵⁵ including: (i) establishment of the business requirements and implementation of an off-the-shelf computer system for transactional management⁵⁶ of the entire public procurement cycle (from planning to attainment of results), aimed at managing for results and maximizing value for money, and providing for timely recording of and access to procurement information and opportunities for all stakeholders; (ii) development of interfaces and integrating the new public procurement transactional platform, run by the OSCE, Invierte.pe, and other relevant platforms;⁵⁷ (iii) development

⁵¹ The system will be launched using an Agile methodology. The characteristics of agile methodologies enable them to work in complex, changing environments.

⁵² Operation ATN/OC-16233-PE, which accompanies this project, will fund a study of the main off-the-shelf options on the market, their features/cost, and an analysis of how they could be adapted to the requirements of Invierte.pe.

⁵³ Its basic principles are to include process and functional integration, data integrity, and service interoperability.

⁵⁴ Including a feature for diagnostics and mapping of the most frequent content of interactions with operators.

⁵⁵ OSCE will have technical responsibility for this.

⁵⁶ The system should favor the use of electronic documents in the procurement and contract performance process (digital signature, single inbox).

⁵⁷ SIAF (contract performance and payment), Office of the Superintendent for Banking and Insurance (verification of guarantees), National Registry of Identification and Civil Status (identity validation), PERUCOMPRAS (list of common goods/services), among others.

of a business intelligence platform integrated with the information system, to implement knowledge management in public procurement; (iv) implementation of a helpdesk for the support platform for the public procurement process; and (v) procurement of equipment/platform to support the information system.

1.13 **Component III. Building the capacity of human capital (US\$15.3 million).** This component seeks to enhance the quality of the human capital tasked with managing public investment.⁵⁸ To this end, the following lines of action will be financed primarily:

- a. **Development and implementation of an overall strategy for managing human capital involved in project management throughout the investment cycle.** This line of action includes the following activities: (i) a knowledge gap assessment of OPMI, development unit, and IEU operators, as well as the delineation and updating of profiles and technical expertise required for operators;⁵⁹ (ii) development and implementation of institutional mechanisms for vacancy announcements, selection, and recruitment, including a strategy for recruiting women operators; and (iii) development and implementation of a model for certifying outside specialists.
- b. **Development and implementation of a comprehensive, sustainable training program for human capital investment.**⁶⁰ This line of action includes the following activities: (i) design of the training format and content (instructor profiles, curricula, times); (ii) establishment of institutional partnerships (universities, professional associations, and other research institutions) for training; (iii) operator participation in internships/trainings at universities and specialized institutions; and
- c. **Development and implementation of a strategy for onsite coaching of trained human capital** as the first modules of the Invierte.pe digital management system are launched. The programming, development and appraisal, and execution tools will be applied with direct coaching provided to trained operators (OPMI, development unit, and IEU) from four regional governments and in priority sectors. One region from each natural region of

⁵⁸ Specifically, it will focus on training at local universities and training of operators (OPMIs, development units, and IEUs) at the ministries for priority sectors (education, health, transportation, and sanitation) and at the regional government level. The strategy will involve development of a technical certification system based on international best practices by a prestigious regional university in the area of public investment. System continuity will be ensured through the MEF's leadership and the dissemination of knowledge by the trainers trained under the project. According to calculations by the MEF and the Bank's Fiscal and Municipal Management Division, the project will reach a total of 2,720 trainers and operators, representing 10% of total operators participating in the investment system (22,000 persons).

⁵⁹ Under Invierte.pe, development units develop projects and determine feasibility. This means that they need much more in-depth knowledge of the theoretical/practical concepts of social project development and evaluation.

⁶⁰ This encompasses learning and application of the new methodological and technological tools, targeted to the lead agency and the subnational governments

Peru (coast, highlands, jungle) will be chosen to receive onsite coaching, along with one region from the north.⁶¹

- d. **Development and implementation of a change management program** for the entire investment cycle.
- e. **Development and implementation of a strategy for capacity-building and certification of public procurement professionals.**⁶² This includes: (i) strengthening human capital, by developing an updated knowledge and capacity gap assessment and development of profiles for public procurement professionals; and (ii) design and implementation of an up-to-date comprehensive skills training program with a strategic supply approach in the framework of knowledge management and skills certification, designed by the OSCE and with level-based curricula aligned with the professional profiles and with a change management approach throughout the public procurement cycle.⁶³

C. Key results indicators

- 1.14 The expected impact is the narrowing of investment gaps in key sectors of the economy.⁶⁴ The expected outcomes are: (i) an increase in the percentage of projects developed that are aligned with gap reduction; (ii) an increase in the percentage of male and female civil servants with certified knowledge in public investment management; (iii) an increase in the percentage of civil servants with certified knowledge in public procurement; (iv) an increase in the public investment execution rate; (v) a reduction in the incidence of PIP execution delays; and (vi) a reduction in the incidence of cost overruns in PIP execution.
- 1.15 **Economic appraisal.** An [economic analysis](#) of the project's economic/financial costs and benefits estimated that the interventions would lead to a decline in PIP execution delays. With this improvement, the benefits generated by these projects will accrue in a shorter time frame than planned, making it possible to estimate the gains resulting from the difference between the net present value of the PIPs with and without the project, and calculate the opportunity cost of eliminated delays, based on interest rates in Peru's financial market. Using a 12% discount rate, by the end of 2028 (10-year horizon) the project's investments will be generating a net present value of US\$4 million, with an internal rate of return of 21%.

⁶¹ The MEF and the Fiscal and Municipal Management Division estimate that this will include 720 operators from the Public Investment Bureau (DGIP) and the sectors and regional governments. This will involve the gradual implementation of key modules of the new Invierte.pe information system, making it possible to: (i) put the trained/certified operators' technical know-how and the new institutional coordination framework into practice; and (ii) test the system over a complete budget cycle, to help generate lessons learned.

⁶² The OSCE will have technical responsibility for this.

⁶³ Certification will take place through strategic partnerships with respected universities and academic institutions.

⁶⁴ Health, education, transportation, and sanitation, which have medium-term gaps amounting to 20% of GDP [20].

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This specific investment loan has a total cost of US\$73.75 million, of which the Bank will finance US\$65 million from the Ordinary Capital:

Table 1. Project costs (US\$)

Summary	Local contribution		IDB	Total
	MEF-DGIP	OSCE		
Component I	1,130,045	398,741	12,895,414	14,424,200
Component II	1,886,404	2,525,730	28,966,965	33,379,099
Component III	1,255,950	300,520	13,761,584	15,318,054
Project technical management	436,782	375,249	5,868,817	6,680,848
Project administrative management	290,819	149,760	3,507,220	3,947,799
Subtotal	5,000,000	3,750,000		
Total	8,750,000		65,000,000	73,750,000

- 2.2 **Disbursement schedule.** Disbursements will be made over a period of six years. This period, requested by the Dirección General de Inversión Pública [Public Investment Bureau] (DGIP), reflects the scale of the project and the time needed to accomplish the proposed outcomes and outputs. It is also consistent with the effective execution periods of similar operations in Peru.⁶⁵

Table 2. Disbursement Schedule (US\$)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
IDB	4,380,472	10,920,726	10,832,636	12,987,324	12,296,059	13,582,784	65,000,000
Local	589,679	1,470,098	1,458,240	1,748,294	1,655,239	1,828,452	8,750,000
%	6.7	16.8	16.7	20.0	18.9	20.9	100

B. Environmental and social risks

- 2.3 Based on the Bank's Environment and Safeguards Compliance Policy (operational policy OP-703), this was classified as a category "C" operation. Given that the project will help improve public investment management processes by strengthening institutions, human capital, and information systems, no social or environmental risks are anticipated.

C. Fiduciary risks

- 2.4 Project implementation may entail higher costs and additional time owing to opportunities for improvement as regards conducting fiduciary management according to Bank policy. This fiduciary risk, identified as a medium risk, will be mitigated by: (i) hiring additional staff, using terms of reference previously agreed with the Bank (Project Manager and Assistant to the Project Manager for the Technical and Financial Cooperation Coordination Unit (UCCTF) and Administrative Coordinator and Administrative Assistant for the DGIP); (ii) spelling out the fiduciary

⁶⁵ Of the loan operations in the active portfolio with Peru that have disbursed more than 70% of their budgets, 63% have an execution period—including extensions—of six years.

process flows in the Project Operations Manual (POM); and (iii) providing fiduciary assistance to the UCCTF/DGIP/OSCE/MEF.

D. Other risks

2.5 A risk management workshop carried out following Bank methodology found the operation to involve medium risk. The main risks include:

- a. **Public management and governance.** The following risks were identified: (i) that there would not be the required independence between the project developer and the agency determining project feasibility, since Invierte.pe is the developer and will declare the feasibility of the projects it prepares and appraises. This will be mitigated via the certification process, in which developers will be provided with the theoretical/practical concepts underlying social project development and appraisal; strengthening of the MEF's lead role in setting criteria and minimum standards to be taken into account in development/appraisal; and development of best practice cases drawn from investment systems elsewhere in the world, which could serve as a guidepost for potentially amending the law; (ii) the standardized factsheets will help facilitate PIP development and appraisal, but they may also be too rigid for initiatives that address new problems for the population or provide innovative solutions to traditional problems. To mitigate this risk, which would translate into continued fragmentation of subnational public investment, the factsheet will be designed to allow for the option of subnational innovations, and the institutional component will encourage partnerships among subnational governments for the purpose of promoting strategic project portfolios; and (iii) the start of project execution may see delays due to the practice of reviewing projects in the preinvestment phase through an exercise known as *Estudio Definitivo* [Definitive Study]. This risk will be mitigated by engaging a consultant to assist the project's technical team in preparing and reviewing the terms of reference and studies associated with key activities in order to minimize project delays.
- b. **Implementation.** There is a medium risk that implementation of the public investment management platform will be delayed, owing to operators' varying capabilities in terms of working with information technology, especially at the subnational level. This risk will be mitigated through training on use of the new technology, and through onsite implementation of the system's basic modules.
- c. **Sustainability.** There is a medium risk that the progress achieved by the project, particularly in terms of institution-strengthening, will fade when the project's technical assistance comes to an end. This risk will be mitigated by implementing a comprehensive, permanent plan for training and knowledge transfer and management, which will be the basis for assimilating the technical assistance provided by the project.
- d. **Monitoring and evaluation.** The risk of delays in approving terms of reference and outputs has been classified as a medium risk, owing to: (i) the multiple approval levels for terms of reference; and (ii) their poor quality. This risk will be mitigated by engaging a consultant to speed up the approval processes and by establishing a tracking process within the DGIP.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 The Ministry of Economy and Finance (MEF) will serve as the project's executing agency, acting via the Technical and Financial Cooperation Coordination Unit (UCCTF), with the participation of the Public Investment Bureau (DGIP) as subexecuting agency 1 and the Government Procurement Oversight Agency (OSCE) as subexecuting agency 2, for purposes of administrative, financial, and technical coordination, respectively. Subexecuting agency 2 will be responsible for the technical and financial execution of the activities and outputs to strengthen the thematic area relating to public procurement. The roles of the UCCTF and the two subexecuting agencies will be spelled out in the Project Operations Manual (POM), but at minimum will include the following activities:
- a. The UCCTF will: (i) manage all aspects of financial management and project procurement; (ii) manage project financial resources and prepare disbursement requests; (iii) prepare, consolidate, update, and implement the procurement plan; (iv) prepare financial statements; (v) approve the POM; and (vi) based on the lessons learned from previous operations, have a results-based management team that will monitor the project's physical and financial execution.
 - b. Subexecuting agency 1 will: (i) plan project implementation, including preparing, consolidating, and submitting the annual work plans; (ii) prepare terms of reference and technical specifications for procurement; (iii) coordinate and monitor activities with the regional and local governments participating in the project; (iv) supervise progress on project implementation; and (v) monitor and evaluate project implementation.
 - c. Subexecuting agency 2 will: (i) handle financial management and procurement matters; (ii) manage financial resources and prepare disbursement requests, for consolidation by the UCCTF; (iii) prepare and implement the annual work plan, including the procurement plan and public procurements; (iv) prepare financial statements and forward them to the UCCTF in time for it to consolidate them and send them to the Bank; (v) keep the document archive; and (vi) approve the POM.
- 3.2 **Special contractual conditions precedent to the first disbursement of the loan: (i) the Project Operations Manual (POM) for each subexecuting agency has been approved, under terms and conditions previously agreed with the Bank; and (ii) the coordinator for each subexecuting agency has been hired and/or appointed, in keeping with the profiles agreed with the Bank and any further requirements set out in the respective POM.** These two conditions are necessary to ensure the operational, fiduciary, and institutional responsibility requirements are met for an orderly launch and implementation of the project, respecting the framework of institutional powers and levels of government involved. The POM will be a dynamic document subject to periodic review, to be modified only with the Bank's consent, that will identify the roles, duties, and responsibilities of the parties involved so as to facilitate coordination among them. The execution team will include staff working full-time on the project: a Project Manager and Assistant to the Project Manager at the UCCTF; and a Technical Coordinator, Technical Assistant, Administrative Coordinator, and Administrative Assistant at the DGIP.

- 3.3 **Fiduciary agreements and requirements.** The fiduciary agreements and requirements provide the framework for financial management and planning, as well as for supervision and execution of applicable procurements for project implementation. The loan proceeds may be disbursed using: advance of funds, reimbursement of expenditures, and/or direct payment to vendors. For funds advances, disbursements will be made based on projected expenses for up to 180 days. The minimum percentage required to replenish the advanced funds will be 80%. The UCCTF will submit audited financial statements yearly and at the end of the project, pursuant to the terms and timelines required by Bank policy. The UCCTF will select an independent auditing firm acceptable to the Bank and engage it for the duration of the project for this purpose.
- 3.4 The procurement plan will be managed using the online electronic Procurement Plan Execution System or another system as determined by the Bank. Project procurements will adhere to the Policies for the Procurement of Goods and Works financed by the IDB (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9) or subsequent updates thereto. Procurements under subprojects financed by this project are to adhere to these policies.

B. Summary of arrangements for monitoring results

- 3.5 **Monitoring.** The DGIP and OSCE will prepare their respective semiannual progress reports during project implementation, and the UCCTF will consolidate them. The consolidated report will be based on: (i) the multiyear execution plan and the annual work plan; (ii) the procurement plan; (iii) the results matrix; (iv) the monitoring and evaluation plan; and (v) the progress monitoring report, all of which will be managed internally by a project management unit within the execution unit and the OSCE, which will coordinate monitoring and follow-up indicators with the Bank's monitoring systems. The execution unit and the OSCE will prepare semiannual progress reports on accomplishment of outcome, output, and financial targets for the Bank's approval. The Bank will conduct inspection visits and ex post reviews as part of project monitoring.
- 3.6 **Evaluation.** The project will be evaluated against the yearly outcome and output targets and indicators in the results matrix. The monitoring and evaluation plan calls for an independent midterm evaluation and final evaluation.⁶⁶ The borrower will prepare and send to the Bank a midterm evaluation report within 90 days following the date on which 50% of the resources were disbursed, or following 40 months of implementation, whichever comes first. It will also send the Bank a final evaluation, to serve as input for the project completion report, within 90 days following the date on which 95% of the loan proceeds were disbursed. Lastly, the project includes a random impact evaluation, as described in the monitoring and evaluation plan.

⁶⁶ The DGIP will be responsible for commissioning these evaluations, and the terms of reference will receive clearance from both executing agencies along with the Bank's no objection.

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Women beneficiaries of economic empowerment initiatives (#)* -Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)* -Subnational governments benefited by decentralization, fiscal management and institutional capacity projects (#)*	
2. Country Development Objectives	Yes	
Country Strategy Results Matrix	GN-2889	Improve public management.
Country Program Results Matrix		The intervention is not included in the 2017 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		
3. Evidence-based Assessment & Solution	Evaluable	
3.1 Program Diagnosis	10.0	
3.2 Proposed Interventions or Solutions	3.0	
3.3 Results Matrix Quality	4.0	
3.3 Results Matrix Quality	3.0	
4. Ex ante Economic Analysis	10.0	
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	4.0	
4.2 Identified and Quantified Benefits	1.5	
4.3 Identified and Quantified Costs	1.5	
4.4 Reasonable Assumptions	1.5	
4.5 Sensitivity Analysis	1.5	
5. Monitoring and Evaluation	10.0	
5.1 Monitoring Mechanisms	2.5	
5.2 Evaluation Plan	7.5	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medium	
Identified risks have been rated for magnitude and likelihood	Yes	
Mitigation measures have been identified for major risks	Yes	
Mitigation measures have indicators for tracking their implementation	Yes	
Environmental & social risk classification	C	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
	Fiduciary (VPC/FMP Criteria)	
	Non-Fiduciary	
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
	Gender Equality	
	Labor	
	Environment	
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	The Bank has supported the recent reform with technical assistance, providing diagnosis reports and proposals. Technical cooperation PE-T1364 has supported the preparation of this operation.
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan	Yes	The program contemplates an evaluation with random assignment to identify the causal effect of improvement in monitoring and transparency mechanisms in the execution of investment projects. The evaluation will provide relevant evidence on the effects of different accountability models, top-down and bottom-up, on the efficiency of infrastructure works.

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The overall objective of this program is to strengthen public investment management to reduce investment gaps in health, education, water and sanitation, and transport sectors (i.e., coverage gaps in services and infrastructure) in the less developed areas of Peru. The specific objectives are to: improve the Peruvian public investment institutional framework, implement a new management computer system (inverte.pe), replace SNIP, and reduce knowledge gaps of the public administration employees that work with the system. The main problem relates to weaknesses in management, resulting from: (a) weak institutional coordination, (b) limited capacity to program and execute public investments, (c) limited mechanisms of monitoring, evaluation and transparency in public management, and (d) knowledge gaps of human capital working on the public investment system.

The loan proposal clearly identifies the potential beneficiaries of the project. The project's vertical logic is clear and well specified. The link between interventions and problems has been adequately established. The project presents adequate evidence of internal validity and partial external validity of the proposed solutions. The Result Matrix is adequately built and incorporates the required elements for monitoring the project. The proposed impact, outcomes and output indicators are SMART.

The loan proposal includes an economic analysis where the economic benefits have been clearly quantified and the costs reflect project investments and product maintenance. The estimated Net Present Value is US\$25.4 million and the Internal Rate of Return is 47%. The assumptions used are clearly presented and a sensitivity analysis has been performed undertaking variations in key assumptions.

The program includes an adequate monitoring and evaluation plan. It also includes an experimental impact evaluation design that seeks to estimate the impact of the new management computer system - inverte.pe, and social accountability strategies on efficiency of implementation of health, education, water and sanitation, and transport public investment projects. The evidence of electronic public infrastructure interventions is limited, most of the research focuses on electronic procurement interventions. In the few examples of robust impact evaluations there isn't any experimental design from Latin American. The impact evaluation will contribute to reduce the knowledge gaps in both the impact of technology and social accountability. The evaluation will also provide evidence on the effects of top-down and bottom-up social accountability systems on infrastructure investment efficiency.

The project documentation includes a risk matrix. Mitigation measures are identified with adequate monitoring indicators.

RESULTS MATRIX

Project objective:	The objective is to strengthen public investment management and public procurement, to help narrow the investment gaps in key economic sectors and geographical areas of the country. The specific objectives are to: (i) improve public investment management for effective service delivery and provision of priority infrastructure; and (ii) build the capacity to generate knowledge and for continuous improvement in public procurement management within the public investment cycle.
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EXPECTED IMPACT

Indicator	Unit of measure	Baseline ¹	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End target	Means of verification	Comments
IMPACT 1. Narrow the investment gaps (services and infrastructure coverage) in the health, education, water and sanitation, and transportation sectors²											
HEALTH											
Population with access to health insurance	%	73	81	84	86	88	91	93	93	National Household Survey (ENAH) ³	Population enrolled in health insurance. ⁴
EDUCATION											
Net early childhood education enrollment rate among 3 to 5 year-olds	%	80.1	87	89	92	94	95	96	96	ENAH	Children in this age group enrolled in early childhood education, over the entire population in that age group.
WATER AND SANITATION											
Rate of access to drinking water	%	83.8	91	93	95	96	97	98	98	ENAH	Population with access to the public water supply inside the home and those with access outside the home.

¹ 2015, except for the transportation indicator (2014).

² The medium-term gaps in these sectors amount to 20% of GDP (Association for the Development of National Infrastructure, 2015).

³ National Institute of Statistics and Information Technology.

⁴ EsSalud, Seguro Integral de Salud, private health insurance, Entidad Prestadora de Salud, armed forces/police insurance, university insurance, among others.

Indicator	Unit of measure	Baseline ¹	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End target	Means of verification	Comments
IMPACT 1. Narrow the investment gaps (services and infrastructure coverage) in the health, education, water and sanitation, and transportation sectors²											
TRANSPORTATION											
National Road System (RVN) paved	%	87.7	88	90	91	92	93	95	95	Ministry of Transportation and Communications	Percentage of the RVN paved to date = km of RVN paved to date / total km of RVN in July 2011.

EXPECTED OUTCOMES

Indicator	Unit of measure	Baseline ⁵	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End target	Means of verification	Comments
OUTCOME 1: Increase in the percentage of projects developed that are aligned with gap reduction											
Sum of executed projects aligned with gaps / Total sum of executed projects	%	70.6	70.6	70.6	75	75	75	85	85	Verification note from the Public Investment Bureau (DGIP) [1]	Baseline: Sum of executed projects (accrued) aligned with prioritized public investment chains = 19.645 billion soles. Total sum of executed projects (accrued) = 27.816 billion soles. The proxy used for gap alignment was public investment projects aligned with budget expenditure chains (function-program-subprogram) prioritized based on gaps, as defined by each sector. Source: DGIP.
OUTCOME 2: Increase in the percentage of civil servants with certified knowledge in public investment management											
Number of civil servants with certified knowledge in the public investment system / Total number of	%	0	0	0	20	20	20	65	65	[1]	Baseline: Number of civil servants with certified knowledge in the public investment system = 0. Total number of civil servants to be enrolled in the comprehensive training program = 2,720.

⁵ Year: 2016.

Indicator	Unit of measure	Baseline ⁵	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End target	Means of verification	Comments
civil servants enrolled in the comprehensive public investment system training program											Training will target staff of the DGIP and of multiyear investment programming offices, development units, and execution units in four priority sectors (education, health, transportation, and water and sanitation) at the line ministries and in the 26 regional governments. The program expects to train a total of 2,720 people before concluding, and to certify 65% of all enrollees trained. Source: DGIP.
OUTCOME 3: Increase in the percentage of female civil servants with certified knowledge in the public investment system											
Number of female civil servants with certified knowledge in the public investment system / Total number of civil servants enrolled in the comprehensive public investment system training program	%	0	0	0	10	10	10	35	35	[1]	Baseline: Number of female civil servants with certified knowledge in the public investment system = 0. Total number of civil servants to be enrolled in the comprehensive training program = 2,720. Female certificate recipients are expected to account for 35% of the total number of certified civil servants. Source: DGIP.
OUTCOME 4: Increase in the percentage of civil servants with certified knowledge in public procurement											
Number of civil servants with certified knowledge in public procurement / Total number of civil servants enrolled in the public procurement training program	%	0	0	0	20	20	20	65	65	Verification note from the Government Procurement Oversight Agency (OSCE) [2]	Baseline: Number of civil servants with certified knowledge in the public procurement system = 0. Total number of civil servants to be enrolled in the training program = 600. Source: OSCE.

Indicator	Unit of measure	Baseline ⁵	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End target	Means of verification	Comments
OUTCOME 5: Increase in the public investment execution rate											
Accrued expenditure / Amended institutional budget for public investment	%	68	68	68	74	74	74	80	80	'Consulta Amigable' [User-friendly Query] website	Baseline: Accrued expenditure = 27.2 billion soles. Budgeted expenditure (amended institutional budget) = 39.8 billion soles. Source: 'Consulta Amigable' website.
OUTCOME 6: Reduction in the incidence of public investment project execution delays											
Number of finalized projects delayed / Number of finalized projects	%	72	72	72	65	65	65	59	59	[1]	Baseline: Includes the universe of projects finalized from 2014 to 2016. Source: DGIP.
OUTCOME 7: Reduction in the incidence of cost overruns in the execution of public investment projects											
Number of finalized projects with cost overruns / Number of finalized projects	%	45	45	45	42	42	42	37	37	[1]	Baseline: Includes projects finalized from 2014 to 2016. Source: DGIP.

OUTPUTS⁶

Indicator	Unit of measure	Baseline ⁷	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End target	Means of verification	Comments
Component I. Building the capacity of the institutional framework											
Line of action 1.1. Improvement of the organizational framework											
1.1 Document with the institutional framework of Invierte.pe, implemented	Document	0	0	1	0	0	0	0	1	[1]	The organizational framework will be considered implemented when the first measure/mechanism for organizational coordination among Invierte.pe operators is introduced.
Line of action 1.2. Development of methodologies for the project cycle											
1.2 Document with the information collection model, including the National Infrastructure Plan, for investment gap identification, valuation, and projection, implemented	Document	0	0	1	0	0	0	0	1	[1]	The information collection model will be considered implemented when the first civil servant uses it.
1.3 Document with the methodology for project development, monitoring, and ex post evaluation, implemented	Document	0	0	1	2	0	0	0	3	[1]	The methodologies will be considered implemented when the first civil servant uses them.

⁶ Outputs are annual.

⁷ 2016.

Indicator	Unit of measure	Baseline 7	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End target	Means of verification	Comments
Line of action 1.3. Development of support tools											
1.4 Published rule approving the multiyear programming methodology	Document	0	0	0	0	1	0	0	1	Official bulletin	The rule approving the multiyear programming methodology is in the official bulletin.
1.5 Document with the model for updating and improving social evaluation criteria	Document	0	0	0	0	0	0	1	1	[1]	The model will be considered implemented when the first civil servant uses the criteria to be generated by it.
1.6 Document with the nonfinancial public asset management model for priority sectors, implemented	Document	0	0	0	0	0	0	1	1	[1]	The asset management model will be considered implemented when the first civil servant uses it.
Line of action 1.4. Tools for making public procurement and investment execution more efficient											
1.7 Document with mechanisms to encourage more vendors to participate in public procurement processes, implemented	Document	0	0	0	1	0	0	0	1	[2]	The mechanisms will be considered implemented when the first civil servant uses them in public procurement processes.
1.8 Service to update OSCE portal	Update service	0	0	0	1	0	0	0	1	[2]	The portal will be considered updated when OSCE verifies use of the new portal.
1.9 Document with a public procurement requirement planning model that incorporates efficiency, effectiveness, and	Document	0	0	0	0	1	0	0	1	[2]	The model will be considered implemented when the first civil servant uses it.

Indicator	Unit of measure	Baseline 7	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End target	Means of verification	Comments
transparency approaches, including innovative outputs, implemented											
1.10 System software for standard procurement documents and for consulting benchmark prices, for purposes of project development and execution, implemented	Software	0	0	0	0	1	0	1	2	[2]	The software will be considered implemented when the DGIP verifies that it is being used.
Component II. Development and implementation of a public investment management information system that is interoperable with other public finance management systems											
Line of action 2.1. Design and implementation of the Invierte.pe information management system											
2.1 Investment Databank, implemented	Database	0	0	1	0	0	0	0	1	[1]	The Investment Databank will be considered implemented when the DGIP verifies that it has been created.
2.2 Information system for management of the public investment cycle, implemented	Software	0	0	0	0	2	0	3	5	Verification note from the MEF's Information Technology Office (OGTI) [3]	The system will be considered implemented when the OGTI verifies its implementation. The system includes an off-the-shelf application that includes programming, development and appraisal, execution, and performance modules, as well as interfaces.
2.3 Service to update the Invierte.pe portal	Update service	0	0	0	0	1	0	0	1	[1]	The portal will be considered updated when the DGIP verifies that the new one is being used.

Indicator	Unit of measure	Baseline 7	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End target	Means of verification	Comments
Line of action 2.2. Improvement of electronic procurement management and transparency											
2.4 Off-the-shelf computer system for transactional management of the entire public procurement cycle, interoperable with other governmental management systems, implemented	Software	0	0	0	0	0	0	1	1	[2]	The system will be considered implemented when OSCE verifies its implementation.
2.5 Business intelligence module integrated with the public procurement information system, implemented	Software	0	0	0	0	0	0	1	1	[2]	The system will be considered implemented when OSCE verifies its implementation.
2.6 Smart helpdesk to assist and support public procurement system users, implemented	Software	0	0	0	0	1	0	0	1	[2]	The helpdesk will be considered implemented when the first civil servant uses it.
2.7 Equipment to support the public procurement information system, implemented	Equipment	0	0	0	0	0	0	1	1	[2]	The equipment will be considered implemented when the first civil servant uses it.
Line of action 2.3. Information system support tools											
2.8 Computer application with tools to support public investment management, implemented	Software	0	0	0	0	0	1	0	1	[3]	The application will be considered implemented when the first civil servant uses it.

Indicator	Unit of measure	Baseline 7	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End target	Means of verification	Comments
2.9 Off-the-shelf computer system for public asset inventory management, implemented	Software	0	0	0	0	0	0	1	1	[3]	The system will be considered implemented when the first civil servant uses it.
2.10 Public investment management innovation laboratory integrated with the Invierte.pe system's technology platform, implemented	Laboratory	0	0	0	0	0	0	1	1	[1]	Government innovation labs are dynamic places that foster creativity in the design of new policy solutions (IDB, 2016). The lab will be considered implemented when the first study/experiment/analysis relating to public investment management begins.
Line of action 2.3. Improvement of technology infrastructure											
2.11 Technology platform to run the information systems and applications to support Invierte.pe, implemented	Equipment	0	0	0	0	0	0	1	1	[3]	The platform will be considered implemented when the first civil servant uses it.
2.12 Smart, multichannel helpdesk to assist and support system users, implemented	Software	0	0	0	0	1	0	0	1	[3]	The helpdesk will be considered implemented when the first civil servant uses it.
Component III. Building the capacity of human capital											
Line of action 3.1. Development and implementation of an overall strategy for managing human capital involved in project management throughout the investment cycle											
3.1 Document containing the overall human capital management strategy (includes the knowledge gap assessment and	Document	0	0	1	0	0	0	0	1	[1]	The strategy will be considered implemented when the first civil servant is certified according to its terms.

Indicator	Unit of measure	Baseline 7	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End target	Means of verification	Comments
profiles, the strategy for recruiting female operators, and the model for certifying outside specialists), implemented											
Line of action 3.2. Development and implementation of a comprehensive, sustainable training program for human capital investment											
3.2 Civil servants enrolled in the comprehensive, sustainable training program for human capital investment	Civil servants enrolled	0	0	580	580	580	580	400	2,720	[1]	This will be verified with the civil servants enrolled in the training under this strategy.
3.3 Document with the change management program for the whole project cycle, implemented	Document	0	0	0	0	0	0	1	1	[1]	The program will be considered implemented when the first civil servant receives the content of the change management program.
Line of action 3.3. Development and implementation of a strategy for capacity-building and skills certification of public procurement professionals											
3.4 Document with the strategy for capacity-building and certification of public procurement professionals (includes the knowledge gap assessment and development of profiles), implemented	Document	0	0	0	0	0	0	1	1	[2]	The strategy will be considered implemented when the first civil servant is certified according to its terms.

Indicator	Unit of measure	Baseline 7	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End target	Means of verification	Comments
Line of action 3.4. Development and implementation of a strategy for onsite coaching of trained human capital as the first modules of the Invierte.pe digital management system are launched											
3.5 Document with the onsite coaching strategy to provide technical assistance activities for the three levels of government, implemented	Document	0	0	0	0	0	0	0	1	1	[1] The strategy will be considered implemented when the first civil servant receives technical assistance.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country	Republic of Peru
Project number:	PE-L1231
Name:	Project to Boost Efficiency in Public Investment Management and Public Procurement
Executing agency:	Ministry of Economy and Finance (MEF)
Fiduciary team:	Allizon Milicich Nieto-Polo and Gabriele del Monte (FMP/CPE)

I. EXECUTIVE SUMMARY

- 1.1 A fiduciary assessment and an institutional capacity assessment of the Technical and Financial Cooperation Coordination Unit (UCCTF) were carried out, and meetings were held with key UCCTF staff and with the project team. Also taken into consideration was the UCCTF's experience with execution of Bank-financed programs. A fiduciary risk was identified: the risk of higher costs and additional time for project implementation owing to opportunities for improvement as regards conducting fiduciary management according to Bank policy. The measures described in paragraph 4.1 will mitigate this risk, which was classified as medium.

II. THE COUNTRY'S FIDUCIARY CONTEXT

- 2.1 The country's financial management systems are effective and reliable. As for the country's procurement system, the electronic reverse auction and electronic framework contract catalogue subsystems approved in document GN-2538-11 are currently being used.

III. THE EXECUTING UNIT'S AND BENEFICIARIES' ADMINISTRATIVE EXECUTING ENTITY'S FIDUCIARY CONTEXT

- 3.1 The executing agency will be the MEF, which will act through the UCCTF, with the participation of the DGIP as subexecuting agency 1 and the OSCE as subexecuting agency 2, for purposes of administrative, financial, and technical coordination, respectively. Subexecuting agency 2 will be responsible for technical and financial execution of activities and outputs to strengthen the thematic area relating to public procurement. The functions of the UCCTF and the two subexecuting agencies will be specified in the POM.
- 3.2 The UCCTF's organizational structure includes its leadership, a legal advisory unit, an administration and finance unit, a projects unit, and a program coordination unit. The UCCTF has been executing loans 2445/OC-PE, 2991/OC-PE, and 2703/OC-PE. The OSCE does not have previous experience with fiduciary management of loan operations.

- 3.3 The UCCTF uses the Electronic Government Procurement System (SEACE) to record procurement plans and publicize procurement processes.
- 3.4 The UCCTF and the OSCE will use the Integrated Financial Management System (SIAF) for financial management of the operation, and the SIAF Project Execution Module for generating financial reports. The audited financial statements for 2016 for all the operations cited in paragraph 3.2 received a clean opinion.

IV. FIDUCIARY RISK ASSESSMENT AND MITIGATION MEASURES

- 4.1 The risk assessment performed during the project's design identified the fiduciary risk of higher costs and additional time for project implementation owing to opportunities for improvement as regards conducting fiduciary management according to Bank policy. This risk, identified as a medium risk, will be mitigated by: (i) hiring additional staff using terms of reference previously agreed with the Bank (Project Manager and Assistant to the Project Manager for the UCCTF and Administrative Coordinator and Administrative Assistant for the DGIP); (ii) spelling out the fiduciary process flows in the Project Operations Manual (POM); and (iii) providing fiduciary assistance to the UCCTF/DGIP/OSCE/MEF.

V. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

- 5.1 The UCCTF will submit audited financial statements yearly and at the end of project, based on specific terms of reference acceptable to the Bank, within 120 days following the close of each UCCTF fiscal year during the original disbursement period and any extensions thereof. The final audit report will be submitted within 120 days following the end of the original disbursement period or of any extensions thereof.
- 5.2 To determine the equivalent in the currency of disbursement or the currency of approval of an eligible expense incurred in the local currency of the borrower's country, for purposes of accountability and expenditure justification, the exchange rate in effect on the date of conversion of the currency of approval or of disbursement to the local currency of the borrowing member country will be used (paragraph (b)(i) of Article 4.10 of the General Conditions of the loan contract). For determining the equivalent of expenses incurred in local currency and charged to the local counterpart resources or of expense reimbursements charged to the loan, the agreed exchange rate will be the exchange rate on the actual date on which the borrower, executing agency, or any other individual or artificial person to which expenditure authority was delegated makes the respective payments to the contractor, vendor, or beneficiary.

VI. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 6.1 **Procurement execution.** Procurement will be carried out in accordance with the policies set out in documents GN-2349-9 and GN-2350-9. The threshold for determining the use of international competitive bidding will be made available to the borrower, through the executing agency, on the [webpage](#). Under this threshold, the selection method will be determined based on the complexity and characteristics of the procurement, which should be reflected in the procurement plan approved by the Bank.

- 6.2 **Procurement of works, goods, and nonconsulting services.** Contracts for works, goods, and nonconsulting services¹ generated under the project and subject to international competitive bidding will be executed using the Bank's standard bidding documents. Those subject to national competitive bidding will be executed using documents agreed with the Bank (or satisfactory to the Bank if none have been agreed to date). Review of technical specifications is the responsibility of the Project Team Leader.
- 6.3 **Selection and contracting of consultants.** Consulting service contracts generated under the project will be executed using the standard request for proposals issued or agreed with the Bank, regardless of the contract amount (or satisfactory to the Bank if none have been agreed to date). Review of the terms of reference is the responsibility of the Project Team Leader.
- 6.4 **Prior review of procurements.** The Bank will review selection and procurement processes as set out in the procurement plan. At any time during project implementation, the Bank may change the modality of review, notifying the borrower or executing agency in advance. Changes approved by the Bank must be reflected in the procurement plan.
- 6.5 **Use of country procurement system.** Having been approved by the Board of Executive Directors, the electronic reverse auction and electronic catalogues for framework agreements subsystems will be used, after completion of the actions described in the Agreement for the Partial Use of the Country Procurement System of the Republic of Peru and the conditions described therein, and the resulting modifications to the procurement plan. Broader use of Peru's National Public Procurement System in operations financed by the Bank and executed by the agencies that are part of that system may eventually be allowed, once the Bank's Board of Executive Directors approves it and it is implemented subject to potential recommendations.
- 6.6 **Initial procurement plan.** See the detailed [procurement plan](#) for the first 18 months. The executing agency will publish the procurement plan in the Procurement Plan Execution System (SEPA) and update it at minimum every six months, or as required by the Bank to reflect actual project implementation needs and progress made.
- 6.7 **Procurement supervision.** A sample of contracts will be subject to the Bank's ex post evaluations, which will be conducted by external auditors or consultants based on technical-professional criteria. Once use of the country procurement system begins, the method may be updated as a function of the fiduciary risks.²
- 6.8 **Records and files.** Files must be located at the offices of the executing agency under conditions that ensure document integrity and security.

VII. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

- 7.1 **Programming and budget.** Expenditures related to project activities must be feasible under the rules issued by the MEF. Currently, the system in place is

¹ Under the Bank's procurement policies, nonconsulting services are treated similarly to goods.

² Once the reverse auction and framework contract systems have been put into use in operations, as part of the strategy for country system use, procurements will be systemically monitored and supervised through monitoring and verification of the stability of Peru's country system.

- Invierte.pe, which was introduced to streamline the approval of investment projects and provide greater flexibility for project implementation at the three levels of government. The annual program and budget will be prepared in keeping with the requirements of the MEF's Public Budget Bureau. The annual budget will be formulated based on the project's multiyear execution plan. The budget allocated to the project will be approved by the MEF and by Peru's Congress and will be reported annually to the Bank. The SIAF will be used for budget operation.
- 7.2 **Accounting and information systems.** The SIAF's integrated Project Execution Module, which provides transparency and specific budget execution controls, will be used for accounting and reporting. This module can be used for financial reporting, including disbursement requests, exchange rate monitoring, and other purposes. Accounts will be prepared on a cash basis, in accordance with international accounting standards, and following the guidelines of the Dirección Nacional de Contabilidad Pública [National Public Accounting Office].
- 7.3 **Disbursements and cash flow.** The project will use the country's treasury system, in accordance with the directives of the Dirección Nacional de Endeudamiento y Tesoro Público [National Debt and Public Treasury Office]. Expenditures are subject to the budget and financial execution process, and data related to their formalization within the framework of the applicable legal standards for each stage—commitment, accrual, transfer, and payment—will be recorded in the SIAF Project Execution Module. The UCCTF and the OSCE will each keep a separate bank account in United States dollars and another in soles (monetization) for purposes of managing the loan proceeds.
- 7.4 Disbursements will be made according to the project's actual liquidity needs. The UCCTF will submit consolidated disbursement requests to the Bank, along with a financial plan containing the disbursement schedule for the project as a whole for the next 180 days. It will justify disbursements by presenting documentation for at least 80% of the total cumulative balance of disbursements pending justification, using the Bank's forms.
- 7.5 External auditors will perform an ex post review of the records and supporting documentation for activities and transactions. All documents and records are required to be kept for a minimum period of three years following the date of the last disbursement. Expenditures considered ineligible by the Bank will be reimbursed using the local contribution.
- 7.6 **Internal control and internal auditing.** The control environment, control activities, communication and information, and the monitoring of the activities of the MEF/UCCTF/OSCE are governed by the country's rules and regulations, which are based on the National Control System and Office of the Comptroller General of the Republic Organizational Act.
- 7.7 The Ex Ante Control section of the UCCTF Administration and Finance Unit has management control mechanisms as defined in directives approved by the top authority at the UCCTF, based on the regulations accompanying the financial management, budget, treasury, and other laws.
- 7.8 **External control and reports.** Given the role and the regulations of the Comptroller General's Office (CGR), the external audits of projects will be outsourced to independent audit firms deemed eligible by the Bank, which will periodically evaluate

those firms. The CGR authorizes the MEF/UCCTF to select and hire independent audit firms, in accordance with Bank policies, for the full project execution period, including extensions of the final disbursement date. It will be necessary to select a level I or II audit firm.

- 7.9 The UCCTF will prepare the consolidated project financial statements, to include: cash flow statement, cumulative investment statement, financial statement notes, and a statement from the project management (UCCTF). The audit report will include an evaluation of the internal control system. The cost of the external audits, estimated at US\$375,000 for the anticipated six-year project implementation period, will be covered with the loan proceeds.
- 7.10 **Financial supervision plan.** This plan may be adjusted based on project implementation and external audit reports.

Table 1. Supervision plan

Activities	Nature/Scope	Frequency
Financial	Portfolio review with the execution unit and the MEF	2 per year
	Financial audit and submittal of financial statements	Annual/Final
	Review of disbursement requests and attached reports	4/5 per year
	Inspection visit / project progress review / analysis of control environment at the UCCTF	Annual

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/17

Peru. Loan ____/OC-PE to the Republic of Peru
Project to Boost Efficiency in Investment
Management and Public Procurement

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Peru, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a project to boost efficiency in investment management and public procurement. Such financing will be for the amount of up to US\$65,000,000 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 _____, 2017)