

## TC ABSTRACT

### I. Basic Project Data

▪ Country/Region:	PERU/CAN - Andean Group
▪ TC Name:	Development of Efficient Public Asset Management System in Peru
▪ TC Number:	PE-T1529
▪ Team Leader/Members:	Garcia Mejia, Mauricio (IFD/ICS) Team Leader; Veyrat-Pontet, Alexandre (IFD/ICS) Alternate Team Leader; Seong Youn Kim (IFD/ICS); Pareja Glass, Alejandro (IFD/ICS); Farias, Pedro Cesar L. (IFD/ICS); Lafuente, Mariano (IFD/ICS); Aguilar Blandon, Maria Alejandra (IFD/ICS); Rojas Gonzalez, Sonia Amalia (IFD/ICS); Mendoza Benavente, Horacio (LEG/SGO)
▪ Taxonomy:	Operational Support
▪ Number and name of operation supported by the TC:	National Supply System Enhancement Project - PE-L1250
▪ Date of TC Abstract:	21 Jul 2022
▪ Beneficiary:	Peru
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$390,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	4 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	IFD/ICS - Innovation in Citizen Services Division
▪ Unit of Disbursement Responsibility:	IFD/ICS - Innovation in Citizen Services Division
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2020-2023:	Productivity and innovation ; Institutional capacity and rule of law

### II. Objective and Justification

- 2.1 The objective is to research and produce information and key technical inputs for establishing an advanced state-owned property management system and an online public asset disposal system in an effort to promote the Peruvian digital government activities. As a procedure prior to the actual system construction in 2023, this TC will allow conducting of a feasibility study through Business Process Reengineering (BPR) and Information Strategy Planning (ISP) consultation and provide new public IT system models customized to the Peruvian environment.
- 2.2 Peru faces enormous challenges in terms of public services and its institutions currently experience low level of public trust. Peru has made efforts to adopt a new Digital Government Law to establish a governance framework for digital identity, digital services, IT architecture, digital public documents and interoperability. The Digital Agenda 2.0 was updated as Peru's digitalization efforts broadened covering issues as connectivity, telecom infrastructure, digital skills and development of digital economy.
- 2.3 Such commitment and efforts for digitization of the government has also expanded to improving public asset management. When it decides to sell properties owned by state, regional governments or public entities, they are sold by SBN, a public agency attached to the Ministry of Housing, Construction and Sanitation, mostly through off-line public auctions. In an attempt to overcome constraints in operating off-line public auctions due to Covid pandemic, SBN launched an online platform named the Virtual Public Auction System (VPAS) in 2020 and 3 public auctions were conducted through this platform.

However, functions were limited to online tender announcement and submission, taking little advantage of potential benefits of convenience and expandability an online platform can bring.

- 2.5 Further developing state-owned property management system that is better integrated with more accurate cadastral information and land registries covering wider areas and public auction disposal system to one that enjoys the benefits that fintech collectively brings may contribute to reinforcing competitiveness of Peruvian state-owned property management, and underpins Peruvian government to obtain benefits as: improved soundness of financial affairs of the public sector; enhance administrative transparency; promote comprehensiveness of state-owned property information management among the government arms and improve the transaction service quality for public assets; and contribute to the popularity of public online transactions and induce ripple effects to other IT system establishment and operation in Peru.
- 2.4 As a part of the IDB's policy to strengthen e-government support in LAC, KAMCO has engaged in the consultation project (RG-T3240) since 2020, concluding that applying Korea's state of the art state-owned property management system combined with the online disposal system can be solutions worth to adopt and that take advantage of the benefits stated before.
- 2.5 With the completion of the current project in 01/23, it came to light that conducting BPR/ISP consultation, often with private IT companies, in general is indispensable for any form of new system installation or upgrades. BPR redesigns business procedures to make sure that the to-be-installed practices can be performed more efficiently and ISP defines the system establishment objectives & strategy and establish a detailed plan to make sure that the practices identified can be executed within the budget and the timeframes defined.
- 2.6 Diagnosis also showed widespread legacy practices in such areas as self-identification, and money transfer, and significant lack of coverage in its own land location and specifications. By adding Korean public partners specialized in digital accreditation, e-signature, online money transfer, and construction of land cadastral system into the project team, the new TC will be able to design innovative services tailored to Peruvian circumstances.

### III. Description of Activities and Outputs

- 3.1 **Component I: Developing Customized Information Strategies for Newly Designed Peruvian Public Asset Management Systems.** Based on the RG-T3240 analysis of Peru's current status on e-government strategies, newly designed information strategies for renewed asset management systems will be proposed. The strategy needs to be aligned with those of other Ministries, such as MVCS in connection with the national urban cadaster project.
- 3.2 **Component II: Restructuring Public Asset Management Work Process.** Share research findings with stakeholders and wider audiences to improve their engagement and collaboration with the project, through: discussion paper with recommendations drawn from Peruvian case and international experiences on implementation of IT systems to improve asset management; updated preinvestment study for Project PE-L1250; international workshops on innovative practices with IT solutions in public asset management; training and dissemination of findings from Components I, II, III.
- 3.3 **Component III: Suggesting a Linkage Method between Public Asset Management System and Online Bidding System and Conducting Feasibility Study.** A linkage method between the two newly-developed systems will be suggested, as well as a feasibility study on establishing public asset management systems in Peru will be conducted. An integration between the public asset management system and the online bidding system will be suggested to maximize efficiency of the respective work process

and public asset management as a whole. This analysis will be a critical input for the updating of the preinvestment study to be financed in component 4.

- 3.4 **Component IV: Training and Dissemination for Stakeholder Engagement.** Share research findings with stakeholders and wider audiences to improve their engagement and collaboration with the project, through: discussion paper with recommendations drawn from Peruvian case and international experiences on implementation of IT systems to improve asset management; updated preinvestment study for Project PE-L1250; international workshops on innovative practices with IT solutions in public asset management; training and dissemination of findings from Components.

#### IV. Budget

##### Indicative Budget

Activity/Component	Total Funding (IDB)
Developing Customized Information Strategies for Newly Designed Peruvian Public Asset Management Systems	US\$80,000.00
Restructuring Public Asset Management Work Process	US\$120,000.00
Suggesting a Linkage Method between Public Asset Management System and Online Bidding System and Conducting Feasibility Study.	US\$100,000.00
Training and Dissemination for Stakeholder Engagement	US\$90,000.00
<b>Total</b>	<b>US\$390,000.00</b>

#### V. Executing Agency and Execution Structure

- 5.1 The TC will be executed directly by the Bank through IFD/ICS.
- 5.2 There is a regional institution specialized in the subject that has a permanent structure that allows it to carry out the corresponding administrative activities. The presence of the Bank would ensure the neutrality of the executing agency and the collaboration required from all parties for the success of the proposed actions. The experience of IFD / ICS in the coordination of issues of public governance, institutional strengthening, transparency and administrative simplification will contribute to the processes of generation and dissemination of knowledge to be promoted by the TC. Additionally, specific knowledge previously acquired by IFD / ICS will be used in the organization and co-ordination of networks of government officials and experts, through the Community of Professionals and Experts in Latin America and the Caribbean (COPLAC), in technical support to the countries of the region to strengthen the management of public assets by developing and operating an efficient public asset management system.

#### VI. Project Risks and Issues

- 6.1 **Compatibility with Local Laws and Customs** The project team has identified a moderate risk of managing compatibility with local laws and customs when it comes to adopting OnBid. To be specific, laws and regulations dealing with public auction, electronic transactions and electronic signature can vary compared to those in Korea. These risks will be mitigated by the actions included in the project to improve the legal framework suitable for installing a new system combined with a thorough feasibility examination by the project team. With the issuance of a new regulation, Law No. 29151 and Directive called "Provisions for the sale by public auction of State properties", the specific legal basis for the auction by electronic media has already been founded in Peru.
- 6.2 **Institutional Dispersion** The risk rating is moderate. In the current regulations, jurisdiction is granted to more than one entity to administer the assets of the State (SBN under MVCS, DGA under the Ministry of Economy and Finance and regional governments). The management systems, SIGA-MEF and SINABIP, are used respectively by DGA and

SBN. Furthermore, VPAS is solely operated by SBN. Inefficiencies and confusions can be caused if the institutional framework for setting up the system is divided into two. These risks will be minimized by the fact that the operational role carried out by SBN has been transferred to DGA by Legislative Decree No.1439. Issuance of joint regulations for installing new systems could reduce the gap caused by current dispersion of authority. The project will also improve stakeholder engagement and collaboration through joint training and dissemination of efficient asset management benefits and project advancements.

- 6.3 Incomplete Cadasters and Land Registers According to research conducted by World Bank, only 8 of the 522 urban municipalities in Peru have complete and updated cadasters. An accurate cadaster is an essential precondition to measure space and calculate rates for lease and sale through BPM. To minimize these risks, in 2016, the need for accurate cadastral information has been established as a national priority through Legislative Decree No. 1288. Against this backdrop, MVCS and COFOPRI is under its way to improve the coverage of urban cadaster services in Peru through a separate project by 2025.
- 6.4 System Maintenance Even after successfully launching systems tailored to Peru, both the BPM and OnBid requires a certain number of personnel trained with necessary skillset for continuous operation. To minimize these risks, the project team will elaborate on trial and errors and know-how accumulated through the past decade in training and dissemination course. Prior to launching the systems, setting up the responsible operation and maintenance period, and preparation of extra training sessions will be settled to ensure the smooth operation of the systems.

## **VII. Environmental and Social Classification**

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