

Improving lives through efficient public finance management

The ultimate aim of all of the Basel Institute's work is to improve the lives of citizens. Nowhere is the connection between our technical assistance and citizens' welfare clearer than in Peru, where we implement an ambitious multi-year programme to support 11 subnational governments in improving their public finance management (PFM).

Funded by the Swiss State Secretariat for Economic Affairs (SECO), the Subnational PFM Programme or Programa GFP Subnacional focuses on improving the essential systems that enable local and regional governments to provide basic services to citizens, for example in education or health. Key administrative systems in this regard relate to procurement, investments, budgeting and tax collection, plus the implementation of internal control systems to protect services from abuse.

From tax collection to road bridges

The results are already having a direct and tangible positive effect on people's lives. Take municipal tax collection, which was a major focus of our technical assistance in 2021. Efficient collection of taxes increases the resources available for local services and infrastructure, such as schools, hospitals and ambulances.

With the Programme's support, all five municipal governments increased their property tax collection in 2021. They surpassed their goals by an average of nearly 25 percent and gained a 100 percent score from the Ministry of Economy and Finance for their effective management and administration of property taxes.

What does this mean for citizens?

For example: The municipality of Tarapoto not only achieved a five-year record in its tax collection but also improved its administrative processes for managing public works projects. As a result, it was able to construct a new bridge connecting two major districts. Completed well within the timeline and due to be inaugurated in early 2022, the "Cuzco" bridge will enable residents to travel more efficiently, boost commerce between the two areas and enable children to reach the local school quickly and safely.

Tarapoto's public officials appreciated the hands-on support of our PFM consultants – some based locally, others travelling between regions – and the efficient coordination with the central Government Ministry:

"Thanks to the support and ongoing coordination with the Programa GFP, we have improved our municipal tax collection... which gives us more resources to serve the needs of our citizens. The fact that the experts are locally based allowed them to tailor training to our needs. I am sure this contributed to our achievements in revenue collection."

Carlos Documet, Head of Tax Administration Service, Tarapoto

"Thank you Ambassador [of Switzerland] for all the support through the Programa GFP. Tarapoto is a city ready for a great future. Although it will not be easy, with the support of international cooperation like yours... we are sure that we will be able to achieve it."

Tedy del Águila, Mayor of Tarapoto



Vaccines, school books, waste management

In 2021, improved efficiency of PFM in regional governments served by the Programme translated directly into more vaccines for citizens and the provision of school books and other educational materials to children. At the municipal level, waste management improved substantially: all five local governments surpassed the Ministry's targets with an average score of 99 percent.

These basic services were prioritised by our partners as being crucial to citizens' welfare, alongside a prioritised investment portfolio consisting of 47 public works and procurement projects in the health, education, sanitation and transport sectors. Our partner governments achieved an average score of around 80 percent for the financial execution of their implemented projects, easily hitting Ministry targets. This is well above the national average.

The Mayor of San Martín discusses progress and future goals in urban infrastructure with the Swiss Ambassador and Directors of the SECO Swiss Cooperation and Subnational PFM Programme. The Programme's activities support this urban planning, in line with national efforts to address gaps in health and education.

"I am happy and excited to have successfully completed the virtual course on internal control and risk management offered by the Programa GFP. I am grateful for this opportunity to improve our work and be able to provide a better service to local citizens."

July Merci Ordinola Chunga, Obstetrician at Nuestra Señora de las Mercedes Hospital, Paíta, Piura



Our specialists in public investment and procurement provide on-site technical assistance to residents of the municipality of Abancay and regional government of Apurímac, with a focus on health and education.

Internal controls boosts efficiency

To better safeguard these prioritised services and investments, the Programme also supported the subnational partner governments in designing and implementing dedicated internal control systems. By the end of 2021, regional governments had already implemented 62 percent of measures in their internal control action plans; for local governments the figure was 88 percent. Thanks in part to smart approaches to capacity building (see page 9), officials trained in internal controls and public integrity rated their satisfaction level 4.4 out of 5.

Beyond the figures, the efficient use of scarce resources is making a tangible difference to citizens' lives. The result enables our partner governments not only to build bridges, hospitals and schools, but to build trust among the population that public resources are being spent wisely and transparently.

Recovering public funds and fighting economic crime

Working together with ICAR, one strand of the Programa GFP supports the implementation of a nationwide system for *extinción de dominio*. This is a form of non-conviction based confiscation law (see page 16) that enables the justice system to recover illicitly obtained money even where a criminal conviction is not possible.

Our asset recovery experts provided technical assistance to the Specialised Prosecutor's Office in 13 key cases during 2021. It is expected that the Peruvian State will obtain a favourable ruling in early 2022 for the recovery of several million dollars, joining previous recoveries obtained under the *extinción de dominio* law.

Aside from the money and its potential to be invested in sustainable development projects, such achievements demonstrate Peru's growing capacity to recover assets stolen from the public purse by economic criminals.