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 II 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 in terms of internal controls. The improved tax collection is an example of the Programme’s impact on improving the essential systems on which people’s lives directly depend.

“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.”

Teddy del Águila, Mayor of Tarapoto

Recovering public funds and fighting economic crime

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.

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 86 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.

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 internal contracts, 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.

“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.