

TC ABSTRACT

I. Basic project data

▪ Country/Region:	Multi-country
▪ TC Name:	Reviewing Fiduciary Country Systems: Diagnostics and Impact Evaluations
▪ TC Number:	RG-T2617
▪ Team Leader/Members:	Alejandra Fleitas (TL); Javier Dávila Perez (ATL), Deborah Sprietzer (TM), Luisa Marmolejo (TM), Adriana Salazar Cota (TM), Roberto Laguado (TM), Mariana Lopez Fernández (TM), Sharlene Shillingford McKlmon (TM), Leslie Harper (TM), Maria Jose Jarquín (TM), Lourdes Sanchez (TM), TBD (Attorney).
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Research and Dissemination
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	N/A
▪ Reference to Request: (IDB docs #)	N/A
▪ Date of TC Abstract:	March 27, 2015
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	Ministries of Economy/Finance/Procurement Agencies/ Supreme Audit Institutions/regional/subnational bodies of borrowing member countries
▪ Executing Agency and contact name (Organization or entity responsible for executing the TC Program) {If Bank: Contracting entity} {If the same as Beneficiary, please indicate}	IADB (VPC/FMP) will execute the operation and will carry out all contracting-related activities.
▪ IDB Funding Requested:	\$1,000,000
▪ Local counterpart funding, if any:	
▪ Disbursement period (which includes execution period):	24 months
▪ Required start date:	June 1, 2015
▪ Types of consultants (firm or individual consultants):	Consulting firms and individual consultants
▪ Prepared by Unit:	VPC/FMP
▪ Unit of Disbursement Responsibility:	VPC/FMP
▪ Included in Country Strategy (y/n);	NA
▪ TC included in CPD (y/n):	
▪ GCI-9 Sector Priority:	3. Institutions for Growth and Social Welfare Fiscal Efficiency and Sustainability

Objective and Justification

Background:

The Bank's Strategy for the Strengthening and Use of Country Systems (GN-2538), approved by the Board of Executive Directors (the Board) in March 2010, supports borrowing member countries in strengthening their fiduciary systems to close the gap with international standards and good practices, so that the Bank may eventually rely on these systems for Bank-financed operations. Over the past five years, the Bank has made significant headway in implementing the Strategy, achieving most of the expected results and positioning itself as one of the principal allies in the Region for the development of these systems. As part of the Strategy's 3-year Review (GN-2538-9) in

August 2013, the Board confirmed that the Bank should continue implementing the Strategy and that management was to establish and present the expected results through 2018. In November 2014, the Board approved the expected results for 2018 (GN-2538-14).

The expected results through 2018 take into account: (i) the sustainability and continuity of the strategic and political dialogue with the countries to advance and deepen strategy implementation; (ii) the gradual increase in the use of country systems in Bank-financed operations, given their different stages of development and progress; and (iii) the establishment of a stable financing source for meeting country demands in the Region, with the recent creation of the Special Program for Institutional Development (SPID).

The expected results heighten the challenges faced by all country systems and point both to their greater usage across the Bank's portfolio and to the achievement of impact outcomes in the countries, in order to close the gap with international standards and good practices.

In the case of public financial management systems, the number of countries validated for use is expected to be maintained at 25 through 2018, which is the same level achieved in 2013. The number of countries that use country systems to generate project reports is projected to rise from 11 to 14, while those using country external control systems to audit Bank-financed projects is projected to increase from 13 to 16.

In the case of public procurement systems, the number of countries with systems validated for partial use is expected to rise from 13 to 16, while the number validated for advanced use is projected to rise from 4 to 6. By the end of the period, current evaluations are expected to be available for 24 countries, benefitting strategic decision-making for the countries.

It should be noted that the results reported in the Three-Year Review of the Strategy for Strengthening and Use of Country Systems (GN-2538-9) reflected the status of development attained in the Region as of that date, with the use of country fiduciary systems having been authorized at an initial stage for those countries with the highest relative level of development. For 2014-2018, it is anticipated that greater emphasis will be placed on strengthening activities to support lesser-developed countries in adopting and implementing international standards and good practices, with a view to using their systems in Bank-financed operations.

Along with the implementation of the Strategy, through the Bank's regional technical cooperations (RG-T1971, T2157, T2313, T2125, T2507, and T2511) and other administrative funds, 23 countries have received support since 2011, bringing their fiduciary systems closer to international standards and good practices. These activities were focused primarily on assisting countries in performing assessments of their fiduciary systems and determining the level of development of such systems at the national and subnational levels, as well as identifying areas for greater opportunity and strengthening.

Knowledge transfer across the Region and technical assistance to build capacity and close gaps with international standards and good practices requires continuous involvement and permanent presence in the Region to establish trust and maintain medium and long-term relationships. The TC 2507 funds, as well as the funds accessible through this TC, are fundamental drivers in reaching these objectives and are in line with the goals established for the expected results through 2018.

To date, RG-T2507, which started executing in September 2014, has contributed to performing procurement evaluations in Uruguay, using for the first time in the history of this country the OECD Methodology for Assessing Procurement Systems (MAPS),” which will help identify and measure improvements in their public procurement

systems, as well as assist them in developing performance indicators. Two additional countries, Dominican Republic and Costa Rica, had sent an official request to the Bank to conduct similar diagnostics. An electronic government procurement (e-GP) study has also been financed under this TC, in order to create knowledge and identify good practices as an input for all the countries of the region.

RG-T2507 has also financed the assessment of the external control systems in El Salvador and Colombia through the application of the Supreme Audit Institutions Performance Framework (SAI-PMF). This evaluation will help us to identify the areas of improvement on this SAI's operations and performance in order to enhance their capacity and advance in their use in Bank-financed operations. Haiti, Nicaragua, Dominican Republic, Paraguay and Trinidad and Tobago have officially requested Bank's assistance in the application of this methodology in their countries as well.

After 8 months of execution, 45 percent of the funds have been executed. In the next 10 months, and according to our planning, we will commit the remaining 55 percent of the funds, as shown in the detailed list of activities in Annex II.

The main challenges have been related to public sector timing and red tape. Unforeseen political developments have occasionally occurred, delaying the overall timing and sequencing of projects and activities. This could be mitigated by the following actions: (i) continuous dialogue led by VPC management, Representatives, Fiduciary Specialists and Sector Specialists with country authorities; and (ii) close coordination between and among the various divisions of the Bank, its clients and other development agencies.

Objective:

The objective of this TC is to continue supporting borrowing member countries in their efforts to improve the effectiveness, efficiency and transparency of public resources, primarily through knowledge management, diagnostics and strategic planning. More specifically, this is anticipated to be accomplished by supporting countries in: 1) assessing the level of development of their fiduciary systems, where no information is available, or by updating existing information, where there is a baseline or other relevant information; 2) identifying international and regional good practices and measuring the improvements in country fiduciary systems and the related impact of such advancements through research, market and performance analyses, and the development of indicators to measure and demonstrate the benefits of using national and subnational systems in Bank-financed operations, for example; and 3) developing action plans and strategic plans to help countries better plan, prioritize, improve and strengthen their technical capacity.

As a result of the increased demand for Bank support, the Board asked Management to provide a stable source of financing for implementing the Strategy. This TC is expected to address most of the demand anticipated for 2015, focusing on supporting countries in the areas mentioned above.

This TC will complement the components of RG-T2125, which are focused on strengthening public management transparency and control in LAC, primarily in Supreme Audit Institutions. For example, RG-T2125 is financing a study on performance auditing to identify best practices throughout the World and also determine the status and possible impact of implementation of the performance auditing standards in LAC countries, identifying lessons learned and challenges being faced by SAIs, to be shared with other countries in the Region. RG-T2125 has also financed some pilot diagnostics of SAIs using the new methodology developed by INTOSAI and the Bank (SAI PMF), identifying areas for greater strengthening and focus. This regional TC will continue the work in knowledge, diagnostics and development of SAI action/strategic plans started by RG-T2125, which has been almost fully committed.

Compared to last year, there is a significant increase in the amount of resources directed to support lesser-developed countries. At least 46 percent of the resources estimated for this TC are destined to strengthen fiduciary systems in the Caribbean region. This represents an important added value with respect to RG-T2507. Based on prioritization criteria such as the level of development of the National Procurement System, countries such as Haiti, Jamaica, Surinam and Trinidad and Tobago lag behind compared with the rest of the LAC countries. There is a need to focus efforts in bringing them closer to international standards and best practices. There are specific actions to be carried out. For instance, we are planning to conduct two new assessments of public procurement systems in countries where no data are yet available (Suriname and Trinidad and Tobago). This will help the Bank obtain information on the level of development in areas requiring assistance. Also, we are going to support the National Procurement Commission in the implementation of the Strategic Action Plan for the modernization of the National Procurement System in Haiti. In Jamaica, we are going to provide technical assistance to develop the cross debarment section of the Government Procurement Act.

On the Financial Management side, we successfully concluded the diagnostic of the public financial management systems in Suriname through the application of the Public Expenditure Financial Accountability assessment methodology (PEFA) in 2014. This diagnostic assisted us in identifying key priority areas requiring support to the government, in order to bring the country's institutions in compliance with the international standards and best practices.

Furthermore, we have already begun discussions with the SAIs of Haiti, Bolivia and Trinidad and Tobago, to conduct an external diagnostic of them, using methodologies such as the newly developed Supreme Audit Institution Performance Measurement Framework (SAI PMF). It is anticipated that these diagnostics will identify the areas for further strengthening and dialogue, with the aim of improving their capacity and advancing in their eventual use in Bank-financed operations.

All of these activities will help advance the goals established in the expected results through 2018. The new assessments of public procurement and financial management systems will contribute to have continuous, up-to-date information on the status of country systems in the Region and will help the Bank to identify where our interventions for improvement and strengthening are most needed.

II. Description of activities and outputs

a. *Component 1: Updated Information on Country Fiduciary Systems.* The objective of this component is to support countries in obtaining or maintaining updated information on the level of development of their fiduciary systems and to identify areas requiring assistance. This information will allow the countries to improve their technical capacity and eventually better allocate and use public resources in an efficient, effective and transparent manner. It will also be useful for their dialogue with donors, interested parties and stakeholders in terms of supporting the implementation of their action plans to increase the level of development of such systems. Through this component, it is expected that the Bank will support LAC countries in updating prior assessments, as well as conducting new ones, in countries where no data are yet available, including: a) procurement information technology assessments; b) fiduciary assessments using the Bank's Guide for Acceptance and Use of Country Procurement and Financial Management Systems; c) other internationally recognized frameworks, methodologies and tools, such as the Public Expenditure Financial Accountability assessment (PEFA), the Methodology for the Assessment of National Procurement Systems (OECD/MAPS), and the INTOSAI Performance Measurement Framework for Supreme Audit Institutions (SAI PMF); d) more in-depth studies related to specific indicators and subsystems; and e) policy drafts on national public procurement and financial management systems.

As of today, approximately 12 more countries, other than the ones that will be attended by RG-T2507, have requested an evaluation of their public financial management, control and procurement systems¹.

The expected results for this component are to maintain a baseline or updated information on country fiduciary systems, identify opportunities for strengthening public financial management and procurement systems, and determine the level of development of these systems for potential use in Bank-financed operations.

b. Component 2: Impact of Using Country Fiduciary Systems. This component aims at identifying and quantitatively measuring the benefits and impact of strengthened country fiduciary systems for both the Bank and the countries. As the 3-year review of the Strategy and other relevant documents have indicated², there is a need to identify reliable methodologies that allow countries and donors to measure progress and the impact of their efforts to strengthen and use fiduciary systems.

The expected result of this component is to establish baseline data for measuring the benefits that both countries and the Bank have experienced by enhancing and using their fiduciary systems.

As such, we will work on the development of performance indicators for LAC procurement systems that will help monitor progress and build a common understanding of the impacts they have experienced. We also anticipate conducting at least two studies, including: 1) the *benefits of IPSAS implementation in the execution of donor-funded operations*, and 2) *accounting for non-accountants in the public sector* (see more detailed information of the proposed activities in Annex 1).

c. Component 3: Action Plans and Strategic Plans. The objective of this component is to support countries in the design and implementation of adequate strategic plans, in addition to action plans to improve and strengthen their technical capacity. This will include: a) responding to the demand for developing action plans in topics such as: institutional development of public procurement; creation of national procurement bodies; career streams in national fiduciary oversight institutions; protest mechanisms in procurement systems; innovative procurement methods, such as reverse auctions and framework agreements; supplier registry modules; access of small and medium enterprises (SMEs) to the public procurement market; institutional development of strategic public buyers; institutional strengthening of suppliers (training and professional improvement); increasing capacity in external audit entities; implementation of modern audit techniques and tools; b) support countries to develop and implement new or modern procurement and financial management information systems; c) help countries to design action plans to strengthen existing fiduciary systems; and d) support countries in adopting and implementing international standards and good practices, such as international accounting (IPSAS, IFRS) and auditing (ISSAI, ISA) standards, etc.

The expected result is to assist countries in the identification of reasonable and concrete actions with milestones, followed by the implementation and monitoring of such actions to enhance country procurement and financial management systems, ensuring compliance with international standards and good practices, as well as achieving the Bank's and the countries' strategic goals.

Specifically, once the diagnostics (OECD/DAC methodology) are performed, one of the Bank's tasks is to evaluate and suggest actions to improve the application and systematization of good practices, which is summarized in an action plan. The same applies for financial management in relation to the SAI PMF methodology for evaluating SAIs.

¹ Please see detailed information in Annex I.

² For example, the Effective Institutions Platform. "Proposal to launch the ISPMS Marketplace at the Global Partnership High Level Meeting in México," 2014.

d. **Component 4. Monitoring TC progress and impact:** The objective of this component is to support the execution and the proper alignment of the activities funded with this TC with the Expected Results for 2018 (GN-2538-14) of the Strategy for Strengthening and Use of Country Systems.

We will continue to have the support of a consultant to monitor and evaluate the TC progress, results and impact. The main objective is to make sure that activities supported through the TC are contributing to the goals established in the Expected Results for 2018 and aligned with the Strategy for Strengthening and Use of Country Systems. Also, this person will maintain up-to-date information and supporting documents related to the TCs, as well as periodically prepare reports regarding the status of the budget, commitments to date and amounts disbursed. The reports will also state results and impacts associated to each activity. This will help in ensuring proper and timely execution of the TC activities and achievement of the expected results.

In coordination with the consultant and our colleagues in the country offices, we will report, upon completion of the interventions, on the results achieved and their contribution toward the achievement of the results expected for 2018.

III. Budget

Estimated Budget³

Activity/Component		Description	IDB/Fund Funding	Counterpart Funding	Total Funding	%
I	<i>Updated information on country fiduciary systems</i>	Diagnostics of country fiduciary systems	100%	Determined by activity through request forms	500,000	50%
II	<i>Impact of using country fiduciary systems</i>	Research, analysis and development of indicators to measure the impact of strengthened country fiduciary systems	100%	Determined by activity through request forms	300,000	30%
III	<i>Action plans and strategic plans</i>	Activities promoting concrete actions to strengthen/modernize country fiduciary systems	100%	Determined by activity through request forms	170,000	17%
IV	<i>Monitoring TC progress and impact</i>	Activities to support the execution and the proper alignment of the activities with the expected results.	100%	N/A	30,000	3%
<i>TOTAL</i>					1,000,000	

³ Please see Annex I for an indicative detailed budget.

IV. Executing agency and execution structure

Executing Agency

The Bank will execute the operation and carry out all contracting-related activities, given the need for: i) a careful prioritization of interventions so as to advance the Bank's use of country fiduciary systems, and ii) close coordination with the international development partners and the donor community. In addition, the Bank is best suited for executing this operation, given the limited size and scope of the individual interventions, primarily at the country level, and their connection to the Bank's loan portfolio and agreed-upon country strategies.

Execution Structure

Activities financed by this TC will be initiated by the countries and the FMP COF Fiduciary Specialists upon authorization from the Team Leader (TL). The FMP COF Fiduciary Specialists will manage and monitor the day-to-day operations, in close coordination with the TL and other interested parties (i.e., ICS and FMM). All activities and interventions will be closed, once the TL approves the evaluation of the activity/intervention.

Specifically, the following steps will be followed:

- (i) Upon receipt of the request from the intended beneficiary (government, Supreme Audit Institution, procurement agency, ministry, regional body, regulator, etc.) and agreement with the Country Representative, the FMP COF Fiduciary Specialist will complete a proposal form describing the proposed intervention or activity and any possible counterpart funding, and then submit it to the TL, with a copy to IFD, as appropriate.
- (ii) The TL will evaluate the eligibility of the proposed activity/intervention and determine the need for a peer reviewer. In order to decide whether or not to finance the intervention, the Team Leader will take into account the alignment with the Country Strategy and CPD as well as the eligibility criteria. There are four main criteria to determine the prioritization of activities: i) Identify the need of having updated information on country fiduciary systems ii) the size of the Bank's active portfolio in the Country, iii) the potential for reducing transaction costs and iv) the level of development of the National Procurement System, being the lesser-developed countries and the Caribbean the main focus of this TC.
- (iii)
 - a) If the intervention is equal to or less than US\$70,000, the TL will be allowed to approve the intervention;
 - or
 - b) If the intervention is greater than US\$70,000, the FMP Division Chief must approve the intervention.
- (iv) Disbursement(s) will occur subsequent to the receipt of the invoice and required work product, in accordance with the applicable terms of reference, once it has been accepted by the FMP COF Fiduciary Specialist. Work products will be shared with IFD, as appropriate.

The proposed approval structure is designed to facilitate a timely and flexible response to requests for small interventions, while guaranteeing their quality and relevance.

Disbursements management will be based on the number of requests for activities and their corresponding contracts and CMOs. This will allow for accurate monitoring of the committed activities and funds. The execution of this TC will be monitored through monthly coordination meetings with the FMP Division Chief.

Execution Plan

During the past eight months, under TC RG-T2507 the Bank has disbursed and committed more than 27 payments, processed 18 contracts, and completed 14 activities. Some of the challenges identified during execution of this TC have involved disbursements and contracts management, as well as adequate planning and monitoring of activities financed as part of the TC. To overcome these issues, one team member has been designated as being responsible for the follow-up of all activities related to TC management (i.e., contracts, disbursements), and two others have been designated as being responsible for overseeing the planning and monitoring of activities, in line with the designated budgets for such activities and providing timely reporting to the team. Reports include those related to projected expenses, commitments and disbursements, updated on a daily basis, and presented every week to all team members. These weekly meetings have proven useful to keep everyone updated on the status of the TC, pace of execution, any potential issues to address, and therefore, helping to make sure that the funds are being efficiently and effectively used, in line with the criteria mentioned above.

V. Project Risks and issues

The following risk has been identified: (i) unforeseen political developments may delay the overall project timing and sequencing. This risk will be mitigated by the following actions: (i) continuous dialogue led by VPC management, Representatives, Fiduciary Specialists and Sector Specialists with country authorities; (ii) close coordination between the Bank and its clients and other development agencies; and (iii) the provision of timely fiduciary inputs for country strategies and programming documents. FMP will use planning and monitoring tools to help ensure that the assistance/work is completed within the proposed timeframes and scope.

VI. Environmental and Social Classification

The ESG classification for this TC is "C", as there are no environmental or social risks associated with this TC's activities.

Annex I – General Matrix for the TC’s Priority Areas

COF	Components				Activities	Expected Results				Amount in US\$
	I	II	III	I V		Short-term	Med-term	Long-term	Increased operational efficiency	
CO		x			Value chain to increase suppliers participation				x	\$20,000
DR	x				GUS Pillar IV			x		\$20,000
EC	x				Establishment of the planning and budget cycles of the State. Pipeline and Bank’s project cycle harmonization				x	\$15,000
GU	x				SAI PMF diagnostic - re assessment		x			\$60,000
GY	x				GUS assessment on all pillars but the treasury subsystem. Development of recommendations		x	x		\$20,000
HA			x		Recruitment of a consultant to support the National Procurement Commission in the implementation of the Strategic Action Plan for the modernization of the National Procurement System			x		\$142,000
HO	x				GUS update for all pillars	x			x	\$30,000
JA		x			Technical Assistance to Develop Cross Debarment section of the Government of Jamaica Procurement Act.				x	\$45,000
NI			x		International congress on public procurement		x			\$40,000
SU	x				MAPS		x			\$100,000
TT	x				MAPS		x			\$100,000
UR	x				Support the government in developing an action plan to strengthen the procurement system based on the MAPS results	x				\$30,000
RG		x			Performance indicators of LAC public procurement systems				x	\$30,000
		x			Benefits of the IPSAS implementation in the execution of donor-funded operations				x	\$60,000
		x			Accounting for non-accountants in the public sector				x	\$60,000
TBD		x			2 SAI PMF				x	\$200,000
TBD	x				2 PEFAs		x			\$130,000
RG				x	Monitoring TC progress and impact					\$ 30,000
					Total					1,132,000

Annex II – Projected TC RG-T2507 Activities and Amounts

TC 2507 (Activities) / Projected Expenses	Country	Amount US\$
Technical assistance for the development of a methodology to estimate savings on public procurement	Costa Rica	\$38,000
MAPS Costa Rica	Costa Rica	\$80,000
MAPS Panama	Panama	\$80,000
MAPS Dominican Republic	Dominican Republic	\$80,000
MAPS closure workshop	Uruguay	\$45,686
Standardized bidding documents with base line	Honduras	\$7,500
Observatory on public procurement	Regional	\$7,000
Study on inclusion, effectiveness and distortions in supporting SMEs, women and other groups	Regional	\$15,000
Study on value for money: concepts and trends	Regional	\$4,000
Study on a methodology to estimate value for money on public procurement	Regional	\$10,000
Benchmarking on complaints and appeals mechanisms in Latin American and Caribbean countries	Regional	\$8,000
Diagnostic on information systems at the Sub National level	Argentina	\$15,000
Procurement planning in Latin America and Caribe	Regional	\$6,000
Diagnostic SAI PMF	Colombia	\$120,000
Diagnostic SAI PMF	Trinidad & Tobago	\$100,000
Diagnostic SAI PMF	Haiti	\$40,000
Diagnostic GUS in pillar 2	El Salvador	\$25,000
Diagnostic SAI PMF	Nicaragua	\$120,000
Diagnostic SAI PMF	Bolivia	\$120,000
Diagnostic SAI PMF / GUS Pillar V	Dominican Republic	\$38,000
Analysis SAI PMF vs Bank's guide for pillar 5)	Regional	\$20,000
Modernization of the guide to measure SGFP performance	Regional	\$50,000
Total		\$1,029,186