

TC Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Strengthening Public Sector Management, Institutional Capacity and the Rule of Law in LAC
▪ TC Number:	RG-T4723
▪ Team Leader/Members:	Naranjo Bautista, Sandra (IFD/ICS) Team Leader; Mosqueira Medina, Edgardo (IFD/ICS) Alternate Team Leader; Lagarda Cuevas, Guillermo (IFD/ICS); Bastidas Legarda Mateo (IFD/ICS); Lopez Azumendi Caliri, Sebastian (IFD/ICS); Bonilla Merino, Arturo Francisco (LEG/SGO); Rojas Gonzalez, Sonia Amalia (IFD/ICS); Gonzalez Chacon Marianna Jose (IFD/ICS); Rodriguez Hernandez Laura Camila (IFD/ICS); Hernandez Carrion, Jose Luis (IFD/ICS)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	. NA
▪ Date of TC Abstract authorization:	. NA
▪ Beneficiary:	Barbados, Brazil, Dominican Republic, Guatemala, Ecuador, and Mexico ¹
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Institutions(W2C)
▪ IDB Funding Requested:	US\$200,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	June 2025
▪ Types of consultants:	Individuals, firms and non-consulting services
▪ 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 Transforming for Scale and Impact Institutional Strategy 2024-2030:	Institutional capacity, rule of law, and citizen security; Public sector policy and management

II. Objectives and Justification of the TC.

2.1 **The objective of this TC is to strengthen the institutional capacity and the rule of law (State Effectiveness²) of the public administrations in the region to enhance results and development effectiveness.** To achieve this, the TC will collaborate with selected public agencies in the region to: (i) conduct analytical work to identify the most significant State Effectiveness gaps that hinder the delivery of their

¹ IFD/ICS will obtain letters from countries for pilot project implementation before starting activities in those countries.

² The terms Institutional Capacity and Rule of Law and State Effectiveness are used interchangeably in accordance with the upcoming Thematic Framework Document. State Effectiveness is a product of Institutional Capacity and Rule of Law. State Effectiveness refers to a government's ability to function effectively, enforce laws impartially, and deliver public services efficiently. Essentially, it ensures that governments operate efficiently and effectively, under clear and consistently enforced rules that apply equally to all.

functions and services; and (ii) design, implement, and iteratively adapt interventions to improve State Effectiveness by addressing the identified gaps in public agencies of beneficiary countries.

- 2.2 Institutional capacity enables governments to deliver services, implement policies, invest in infrastructure, and support private sector development.** The rule of law ensures predictability, credibility, and fairness in legal processes, essential for the functioning of States, businesses, and societies. This TC targets central entities, such as Planning Entities or Offices of the Presidency, responsible for cross-sectoral functions and other critical outcomes. The focus is on three key functions: (i) strategic functions at the Center of Government and their interaction with planning, budgeting, and Monitoring and Evaluation (M&E) systems; (ii) resource management, including civil service, asset management, and data; and (iii) regulatory frameworks. These functions need predictability, strong accountability mechanisms, and transparency to reinforce the rule of law and ensure efficient use of public resources.
- 2.3 Weak institutions stand as a pivotal barrier to inclusive and sustainable growth and development in the region.** Evidence shows a direct correlation between robust state institutions and the efficient utilization of physical and human capital, resulting in higher incomes.³ Although this is well-known, Latin America and the Caribbean (LAC) still struggle. Not only that, on average, indicators related to Institutional Capacity and Rule of Law are below OECD standards, but also, all the indicators show a setback in the last decade. According to the Worldwide Governance Indicators, government effectiveness has gone from 58.13% in 2013 to 49.07% in 2023, below OECD standards (83.86% in 2023). Something similar occurs for regulatory quality (from 56.29% in 2013 to 51.83% in 2023), rule of law (from 51.77% in 2013 to 48.10% in 2023) and control of corruption (from 56.71% in 2013 to 49.03% in 2023), where the biggest setback occurred. In contrast, the OECD has been relatively stable above the 84th percentile. The IDB's own analyses echo this conclusion: a recent analysis of 39 Country Development Challenges (CDCs), between 2015 and 2021, shows that government institutional capacity is most often identified as the main development challenge identified in the region.⁴ Prioritizing State capacity is crucial for LAC to address disparities, strengthen institutions, and achieve sustainable and inclusive development. Weak institutions can lead to inefficiencies in public service delivery, corruption, and a lack of trust in government, all of which hinder economic growth and social progress.
- 2.4 The capabilities of State agencies determine the extent and quality of the implementation of public policies and programs.** Robust institutional capacity is essential for implementing projects successfully and ensuring their sustainability. Literature and experience suggest three key factors for successful reform, the strategic triangle for strengthening institutional capacity:⁵ (i) a technically sound design tailored to user needs; (ii) administrative capacity to implement the strategy, including

³ Acemoglu et al., 2001.

⁴ [Avellán & Brito](#) (2023).

⁵ The strategic triangle is part of the conceptual framework adapted from Moore (1997) and is complemented by the work of Andrews, Pritchett and Woolcock (2017), as well as principles for effective project design and implementation such as Doing Development Differently (DDD), Problem Driven Iterative Adaptation (PDIA), Thinking and Working Politically (TWP) and Collaboration, Learning and Adaptation (CLA), among others.

accountability changes; and (iii) governance conditions and an authorizing environment that supports implementation. These elements will be key for pilot interventions considered. The strong institutional capacity of public sector agencies is key to both effectively implementing projects to achieve development outcomes (project implementation capability) and ensuring the sustainability of outcomes (policy implementation capability). This TC aims to contribute to strengthening State Effectiveness in the beneficiary countries and the region.

- 2.5 **Strategic alignment.** This TC aligns with the Institutional Strategy: Transforming for Scale and Impact (CA-631) and aligns with the objective of fostering sustainable regional growth given that the aim of the TC is to enhance institutional capacity and there is ample evidence that strong institutions boost growth. The program is also aligned with the operational focus area of institutional capacity, rule of law, and citizen security given that its main purpose is to support efforts that translate institutional capacity and rule of law improvements into better public sector performance and more effective development outcomes across the region. It will design, implement, and iteratively adapt interventions to address these gaps in public agencies of beneficiary countries. Regarding strategic priorities, this TC contributes to the One Caribbean Strategy (GN-3201-5) by strengthening technical capabilities and institutional capacity—core enablers of resilient and effective governance in the region. Specifically, it supports targeted interventions in Barbados to enhance its Monitoring and Evaluation (M&E) systems, thereby reinforcing public sector performance and aligning with the Strategy's emphasis on institutional resilience and sustainable development. Additionally, it aligns with the *America en el Centro* Strategy (GN-3233) by addressing the cross-cutting issue of fortifying institutions and capacity building. In the Dominican Republic, the TC collaborates with the government to strengthen their Center of Government (CoG) and implement results-based management. In Mexico, the TC aims to enhance the civil service and address issues of transparency and integrity. In the Dominican Republic, addressing this is a presidential priority, which will benefit from the strengthening of M&E systems, thereby improving coordination and efficiency. The program is also aligned with the priority area of "Effective, Efficient, and Transparent Institutions" of the Ordinary Capital Strategic Development Program (GN-2819-14).
- 2.6 Additionally, this TC aligns with the current strategies of the participant countries and two Sector Framework Documents (SFD), aiming for a more efficient, effective, and transparent State. It supports Barbados's country strategy 2025-2030 (GN-3280-1) to improve public sector efficiency and fiscal sustainability by strengthening M&E systems (GN-3280-2). Brazil's country strategy 2024-2027 (GN-3243-3) focuses, in its second pillar, on driving sustainable growth, which requires strengthening public sector sustainability and efficiency across all levels of governments. In the case of Dominican Republic, it enhances public management and institutional structure (GN-3084-2 extended until August 2025). In Ecuador, the country strategy 2022-2025 (GN-3103-1) has as its second pillar the stabilization of public finances and institutional development, which includes the transversal management systems addressed in this TC. In the case of Guatemala, the 2024-2028 country strategy (GN-3260-1) sees institutional capacity as a precondition for private sector development. It also aligns with Mexico's country strategy 2019-2024 (GN-2982) by addressing the cross-cutting theme of enhancing institutions, transparency, and integrity. This TC aligns with the Fiscal Management SFD (GN-2831-13) in two lines of action. In Line of Action 1, it seeks to improve the contribution of fiscal policy and management to economic growth by enhancing the quality and efficiency of public spending through strengthened M&E

systems, which are directly connected to Public Financial Management (PFM) systems. In Line of Action 3, it supports fiscal consolidation processes and reinforces fiscal institutions for sustainable public finances by building the institutional capacity of the CoG, which has a direct impact on fiscal institutions. The TC also aligns with the Transparency and Integrity SFD (GN-2981-2) in actions related to public sector integrity by contributing to the transparency of public resources through the strengthening of M&E and CoG institutions. This TC also aligns with Priority Area 3: Effective, Efficient and Transparent Institutions of the Bank's Ordinary Capital Strategic Development Program (OC-SDP, Window 2 – Institutions), as it supports institutional strengthening through analytical work and pilot interventions aimed at improving public sector performance, transparency, and service delivery.

- 2.7 This TC complements and builds upon previous Bank efforts, including other TCs. For example, in Barbados, the technical assistance requests stem from the work conducted during the Diagnosis of Monitoring and Evaluation (M&E) Systems as part of the new Country Strategy. In Brazil, the TC continues and expands on prior engagements in public sector strengthening. In the Dominican Republic, it complements both the Program to Strengthen Civil Service Management ([5315/OC-DR](#)) and the preparation of the Program to Strengthen Fiscal Sustainability ([DR-L1169](#)). In Guatemala, it supports the ongoing efforts to strengthen the Center of Government, including initiatives such as the TC "Capacity Building for the Management of Non-Reimbursable International Cooperation of SEGEPLAN, Phase I" ([ATN/AA-20240-GU](#)). In Ecuador, the Bank has been supporting the strengthening of the National Procurement System through the preparation of operations such as EC-T1598 and EC-L1305; this TC will contribute to those efforts. Finally, in Mexico, the Bank has maintained a close dialogue with government counterparts, and this TC will enable the initiation of technical assistance in areas such as civil service, transparency, and other relevant public management issues.

III. Description of activities/components and budget

- 3.1 **Component 1. Analytical work.** This component aims to support countries in assessing the capability challenges faced by public agencies in relation to State Effectiveness, with a particular focus on identifying gaps in implementing results-based management systems. A clear understanding of these challenges will inform and strengthen the design and piloting of interventions under Component 2. The expected outputs include two regional-level analytical studies to identify key gaps in State Effectiveness, as well as country-specific assessments upon request by beneficiary countries. When relevant, the dissemination of knowledge products will be incorporated to share findings and promote learning across the region.
- 3.2 **Component 2. Design and iteratively adapt and implement pilot interventions to address State effectiveness gaps.** The objective of this component is to support countries in designing, adapting, and implementing pilot interventions that address key challenges related to State effectiveness. These interventions will be developed through an iterative process, informed by technical support and policy dialogue. The focus will be on strengthening core government functions, including the Center of Government, civil service, procurement systems, and monitoring and evaluation frameworks. Relevant public entities in each participating country will identify priority areas for support and will approve the selection of experts and tools used in the design and implementation of interventions. Support will be provided upon formal request by participating countries, and all interventions must align with the respective Country Strategy and national policy agenda. The list of participating countries may be updated

as the TC evolves to reflect emerging priorities and opportunities. Beneficiary countries were initially identified based on prior policy dialogues and technical discussions with national counterparts, with a focus on alignment with TC’s thematic scope and institutional readiness. Countries will be prioritized by balancing sectors, regions, and types of activities conducted, ensuring a diverse and representative portfolio of interventions.

- 3.3 **If successfully delivered, this TC will directly support participating countries in addressing key challenges related to State Effectiveness.** By responding to country demand and aligning with their respective Country Strategies, the TC will provide tailored technical assistance to strengthen institutional capacity and improve the design and implementation of public sector reforms. The expected results include: (i) enhanced institutional quality and policy effectiveness, leading to improved public service delivery and enabling conditions for private sector development; and (ii) the application of relevant methodologies and tools to foster more efficient, transparent, and citizen-centered governments. Through this support, the TC will contribute to tangible improvements in policy implementation and service delivery, while reinforcing the IDB’s operational effectiveness and responsiveness to client needs.
- 3.4 The total cost of this TC will be US\$200,000 and will be financed with the Priority Area 3: Effective, Efficient and Transparent Institutions of the Bank’s Ordinary Capital Strategic Development Program (OC-SDP – Window 2 Institutions W2C).

Indicative Budget (US\$)

Activity/Component	Description	Total Funding (IDB/W2C)
Component 1	Analytical work	50,000
Component 2	Design and iteratively adapt and implement solutions-driven interventions	150,000
Total		200,000

IV. Executing agency and execution structure

- 4.1 The executing agency will be the Bank, through the Innovation for Citizens Services Division at the Department of Institutions for Development (IFD/ICS). At the request of the beneficiary countries and given its regional nature, this TC will be executed by the Bank, according to Annex II of the procedures for the processing of technical cooperation operations (OP-619-4). This arrangement is justified by the absence of a regional entity with the legal and operational capacity to execute the TC, as well as the need to ensure consistency, quality, and timely delivery of analytical work and pilot interventions across multiple countries. The IFD/ICS team will be responsible for the administration, planning, control, and supervision of the assigned financial resources, as well as all those activities related to the hiring of firms and consultants and the adequate organization, supervision and evaluation of the products contemplated within the TC, in line with the Bank’s policies and with a view to ensuring the sustainability and effectiveness of the project’s implementation.
- 4.2 All activities to be executed under this TC have been included in the Procurement Plan (Annex IV) and will be contracted in accordance with Bank policies as follows: (a) hiring

of individual consultants, as established in the regulations of Complementary Workforce (AM-650); and (ii) hiring of consulting firms for services of an intellectual nature and the contracting of logistics services and non-consulting services, according to Corporate Procurement Policy (GN-2303-33) and its associated Guidelines. The execution and disbursement period is expected to be 36 months.

- 4.3 The IFD/ICS team will coordinate closely with Country Offices to support the effective implementation of this TC and strengthen the dialogue with government counterparts. All activities and engagement with governments will be carried out in close coordination with the IDB Representative Offices in the participating countries to ensure alignment with country strategies and institutional priorities.
- 4.4 The knowledge products generated from Bank-executed activities within this technical cooperation will be the property of the Bank and may be made available to the public under a creative commons license. However, at the request of the beneficiaries, in accordance with the provisions of AM-331, the intellectual property of said products may also be licensed through specific contractual commitments that shall be prepared with the advice of the legal department.

V. Major issues

- 5.1 The main risk identified is the broad scope that the pilot interventions could have, given that multiple problems and needs could be identified. This risk could be mitigated by the appropriate analysis expected to be addressed in Component 1.

VI. Exceptions to Bank policy

- 6.1 There are no exceptions identified.

VII. Environmental and Social Aspects

- 7.1 This Technical Cooperation is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).

Required Annexes:

[Request from the Client_21633.pdf](#)

[Results Matrix_33506.pdf](#)

[Terms of Reference_35639.pdf](#)

[Procurement Plan_86970.pdf](#)