

TC ABSTRACT

I. Basic project data

▪ Country/Region:	LAC Region
▪ TC Name:	Strengthening public management transparency and control in Latin America and the Caribbean (LAC)
▪ TC Number:	RG-T2125
▪ Team Leader/Members:	Maria José Jarquín (IFD/ICS), Team Leader; Deborah Sprietzer (VPC/FMP), Co-team Leader; Francisco Javier Urra (ICS/CBR); Nicolas Dassen (IFD/ICS); Javier Reyes (ICS/CEC); Gilberto Moncada (ICS/CBO); Laurence Telson (ICS/CDR); Gustavo Palmerio (FMP/CEC); Santiago Schneider (FMP/CEC); Marlene Zoraida Arguello (FMP/CBO) Abel Cuba, (FMP/CBO), Vinicio Rodriguez (FMP/CDR) and Christian Contin, (FMP/CDR); Guillermo Eschoyez (LEG/SGO); and Melissa Gonzalez (IFD/ICS)
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Client Support and Operational Input
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	EC-L1119. Program to improve management control function of Ecuador.
▪ Reference to Request:	N/A
▪ Date of TC Abstract:	January 07, 2013
▪ Beneficiary	All borrowing IDB country members
▪ Executing Agency and contact name	Inter-American Development Bank
▪ IDB Funding Requested:	US \$ 1.000.000
▪ Local counterpart funding, if any:	US\$100,000 (US\$90,000 in species)
▪ Disbursement period:	36 months
▪ Required start date:	March 4, 2013
▪ Types of consultants:	Firms and Individuals
▪ Prepared by Unit:	IFD / ICS and VPC/FMP
▪ Unit of Disbursement Responsibility:	IFD / ICS
▪ Included in Country Strategy (y/n); ▪ TC included in CPD (y/n):	Yes. 2013 CPDs.
▪ GCI-9 Sector Priority:	Institutions for Growth and Social Welfare (GN-2587); and Strategy for Strengthening and Use of Country Systems (GN-2538)

II. Objective and Justification

Objective. Contribute to **increased transparency and public accountability and efficiency, in the management of public funds by supporting member countries, in their efforts to strengthen the auditing function.** The specific objectives of the TC are to: i) improve internal audit and external control management capabilities through implementation of innovative audit approaches and mechanisms; ii) reduce gaps in the usage of national systems for auditing projects financed by IDB funds; and iii) identify, advance and disseminate knowledge generation and leverage the Bank's strategic dialogue.

Justification. Strengthening control and audit institutions’¹ capacity to produce, analyze and disseminate sufficient, timely, useful and high quality reports on a government’s management and use of public resources is recognized as a powerful tool for: i) increased transparency and accountability, helping to prevent and deter corruption and foster access to information and civil society participation; ii) improved quality of public expenditure systems, better use of public resources, client service orientation and results-oriented management; iii) augmented use of Country Systems for auditing IDB-financed projects; and iv) increased outreach and partnerships among internal and external audit institutions in the Region, through international bodies such as the International Organization of Supreme Audit Institutions (INTOSAI) and its regional bodies.²

Latin America and the Caribbean (LAC) have achieved significant progress in strengthening external control over the last decade, specifically in terms of ex-post oversight. As governments adopt more modern, results-oriented ways of working, external control institutions have added new functions, such as performance auditing for results-based public management or advising on policy for improving public management and service delivery. At the same time, there has been limited development in strengthening internal audit and control, thus diminishing the margins for preventing corruption and for assessing institutional risk that could affect public management objectives. Strengthening internal control assists in the early identification of irregularities that may be stopped, deterred or even prevented before they constitute corruption.

The Bank recognizes the important role of control institutions in the Region, as is stated in the Report on the Ninth General Increase in the Resources of the IDB (GCI9), as well as other related Bank strategies.³ Aligned with these, it has been identified as a sector priority in the 2013 Country Programming Documents (CPD) of Bolivia, Chile, the Dominican Republic, Ecuador, Paraguay and other LAC countries.

III. Description of activities and outputs

This TC is articulated in three components that respond to the general and specific objectives.

Component 1. Assessments and modernization strategies. This component is intended to assess the capacity of a Bank borrowing member country’s control and audit institution to perform its external and internal audit and control functions, efficiently and transparently; and accordingly, design institutional strengthening and capacity building strategies and action plans by financing the following activities: i) analysis of mandates, approaches, practices and performance; ii) definition of strategies and action plans to improve control and auditing; and iii) design key performance indicators and databases.

Component 2. Regulatory reforms and capacity building. This component is intended to support control and audit institutions’ innovation, encompassing two types of activities: i) regulatory updates and legal reforms to harmonize national legislation with international standards; and ii) institutional

¹ In the majority of LAC countries, Supreme Audit Institutions (SAIs) are responsible for both internal audit oversight and external control; but in some cases, as in Brazil, the Dominican Republic and Uruguay, other oversight bodies are directly responsible for internal audit function.

² Latin American and Caribbean Organization of Supreme Audit Institutions (OLACEFS), the Caribbean Organization of Supreme Audit Institutions (CAROSAI), and the Organization of Central American Supreme Audit Institutions (OCCEFS).

³ The Sector Strategy Institutions for Growth and Social Welfare (GN-2587-2), the Action Plan to Support the Countries in their Efforts to Fight Corruption and Foster Transparency (GN-2540), and the Strategy for Strengthening and Use of Country Systems (GN-2538) which encourages the Bank to use national audit institutions, when deemed to be acceptable.

strengthening and capacity building including technical assistance for process analysis and re-design, the development of information technology and communication tools,⁴ and training.

Component 3. Policy dialogue, south-south cooperation and knowledge generation and dissemination. The program aims to further develop the capacity of the Bank and its country members in engaging in strategic and policy dialogue amongst themselves, as well as with key international/regional partners such as INTOSAI, CAROSAI, OLACEFS, and OCCEFS. For doing so, the TC will finance: i) case studies of innovative efforts on control reforms, modernization and strengthening; ii) south-south cooperation for best practices in control and auditing; and iii) knowledge generation and dissemination through regional seminars and workshops.

IV. Budget

Indicative Budget

Activity/Component	Description	IDB Funding	Counterpart Funding	Total Funding
Component 1. Assessments and modernization strategies	Country	170.000		170.000
	Regional	50.000		50.000
Component 2. Regulatory reforms and capacity building	Country	585.000		585.000
	Regional	25.000		25.000
Component 3. Policy dialogue, south-south cooperation and knowledge generation and dissemination	Country	65.000	10.000	75.000
	Regional	70.000		70.000
Oversight of country-specific activities and external evaluation	N/A	35.000	90.000	142.500
Total cost (US\$)		1.000.000	100.000	1,100.000

V. Executing agency and execution structure

This TC will be self-executed by the Bank, through IFD/ICS. The project team is co-led by IFD/CMF and VPC/FMP who will jointly supervise the TC components. For instance, there is not a single organization covering the whole range of control institutions in LAC. Moreover, not all the audit and control institutions are SAIs; and even if an executing agency could be identified, lessons learned strongly show that complex regional execution schemes have a very negative impact on the execution of projects and eventually, in the fulfillment of its goals.

VI. Project Risks and issues

Two risks have been identified: i) the plurality of actors involved and the fact of being a TC executed by the Bank could affect the **ownership and alignment** with beneficiary priorities. This risk is mitigated through solid dialogue with control institutions, which allow alignment with their priorities; and ii) supporting control institutions in the Region covers a vast array of topics which could lead to a lack of ownership by or **poor coordination within the Bank**. To avoid that, a focal point for control institutions within the Institutional Capacity Division will oversee work on strengthening control and audit and assure coordination with other relevant Bank departments (namely VPC/FMP and IFD/FMM).

VII. Environmental and Social Classification

Environmental and Social Classification (ESG) of this TC is “C”, since there are no environmental or social impacts associated with this TC activities ([IDBDOCS-#37388750](#)).

⁴ For example, in Bolivia, a new TIC system could improve the timely oversight of and support to Internal Audit Units by the SAI.