

## TC Abstract

### I. Basic Information for TC

▪ <b>Country/Region:</b> Latin American and the Caribbean countries
▪ <b>TC Name:</b> Technical management of the Institutional Capacity Strengthening Fund – Phase II
▪ <b>TC Number:</b> RG-T2437
▪ <b>Team Leader/Members:</b> Mariano Lafuente (IFD/ICS); Hannah Kim (IFD/ICS); Javier Jiménez (LEG/SGO); and Melissa Gonzalez (IFD/ICS)
<b>Date of TC Abstract authorization:</b> November 8, 2013
▪ <b>Donors providing funding:</b> Institutional Capacity Strengthening Fund (ICSF)
▪ <b>Beneficiary:</b> Latin American and the Caribbean countries
▪ <b>Executing Agency:</b> IDB – Institutional Capacity of the State Division (IFD/ICS)
▪ <b>IDB Funding Requested:</b> US\$320,000
▪ <b>Local counterpart funding, if any:</b> n/a
▪ <b>Disbursement period:</b> 27 months
▪ <b>Required start date:</b> April 1 <sup>st</sup> , 2014
▪ <b>Types of consultants:</b> International Individual Consultants
▪ <b>Prepared by Unit:</b> Institutional Capacity of the State Division (IFD/ICS)
▪ <b>Unit of Disbursement Responsibility:</b> IFD/ICS
▪ <b>TC Included in Country Strategy (y/n):</b> n/a; <b>TC included in CPD (y/n):</b> n/a
▪ <b>GCI-9 Sector Priority:</b> Yes - Institutions for growth and social welfare

### II. Objectives and Justification of the TC

Public sector experts have identified weak institutional capacity as one of the single most important obstacles to sustainable economic growth and long-term poverty reduction. Building strong institutional capacity is a minimum requirement to improving the efficiency of public expenditures, safeguarding citizens’ and economic rights, ensuring efficacy and transparency in government administration, elevating the quality of government policy, and strengthening social cohesion and inclusion.

To contribute to the region’s efforts in addressing this issue, the Bank approved the “Institutional Capacity Strengthening Fund,” (ICSF) in September 2009, with a special contribution of US\$75 million made by the Government of China. The ICSF was designed to support institutional capacity strengthening in all sectors. As of November 2013, the ICSF has funded 122 technical cooperation (TC) projects for \$55 million in 25 of 26 borrowing member countries and approximately US\$20 million are expected to be allocated in new institutional-strengthening related projects over the next two years.

The management of the ICSF has been supported through the TC ATN/FI-13360-RG, “Technical management of the Institutional Capacity Strengthening Fund” (2012-2013), which improved the capacity of the fund’s technical secretariat. Results achieved by ICSF-funded interventions have gained visibility both inside and outside the Bank. Both the operational guidelines ([GN-2697](#)) and the performance report of the ICSF ([GN-2524-2](#)) were submitted to the Board of Directors this year, and the ICSF has been recognized for its proactive approach to portfolio management. The ICSF also has produced [videos](#) communicating results, a [website](#) with a complete list of publications financed by ICSF-funded technical cooperations, and [one-pagers](#) communicating results achieved thus far.

The ICSF Technical Secretariat has also made considerable progress in knowledge-generation activities. It organized an “[Innovation in Government Week](#)” to identify key trends and challenges in the institutional strengthening of the state and the modernization of Public Sector Management (PSM) in Latin America and the Caribbean (LAC) and explore frontier areas for future institutional reform support.

The ICSF [Expert Advisory Group](#)<sup>1</sup> built on the conclusions of the “Innovation in Government Week” to inform the future work of the ICSF.

The proposed TC is considered necessary to allow client countries to maximize their benefits from the institutional fund through a timely and high quality fund management. This TC is expected to implement the governance aspects of the fund as stated in the document “Proposal to establish an Institutional Capacity Strengthening Thematic Fund (ICSF)” (GN-2524), approved by the Board of Directors in September 2009.<sup>2</sup> In particular, related to the implementation of a consultative process involving a panel of recognized experts on institutional capacity to support the substantial activities of the Fund, involving: (i) knowledge; (ii) management and (iii) dissemination. This panel of experts or Council of External Advisors will provide strategic guidance, to ensure the alignment of ICSF allocations with regional and Bank priorities. The Council would also help to ensure transparency and visibility for the fund through the involvement of prestigious experts on institutional strengthening.<sup>3</sup>

**General Objective:** To ensure a strong portfolio management and dissemination of the proposals financed by the ICSF, contributing to the delivery of better results in client countries and enhancing the reporting to the Board of Directors. **Specific Objectives:** (i) Knowledge activities: Organize one Expert Advisory Group meeting to generate knowledge within client countries regarding institutional capacity building efforts; (ii) Management: Proactive portfolio management through the ICSF Technical Secretariat to strengthen project monitoring, portfolio management, and reception and analysis of ICSF proposals; and (iii) Dissemination: Improve reporting to the Board on results achieved by the financed proposals, and allocation of adequate resources to disseminate ICSF-funded operations’ results and lessons learned within the client countries.

This TC is aligned with GCI-9 sector priority institutions for growth and social welfare.

### III. Description of activities/components and budget

**Component I. Knowledge.** This component aims at improving the client countries knowledge on institutional capacity by promoting knowledge sharing and learning activities. These activities will involve the participation of recognized experts in PSM and government officials. The activities of this component will include: (i) the organization of a workshop with a panel of approximately 8 international experts (practitioners and scholars), government officials, and Bank staff, to discuss the state of the art in institutional capacity and the performance of specific projects financed by the ICSF; and (ii) the preparation of a report summarizing the outcomes of this workshop.

The expected results of this component include: (i) improved knowledge regarding institutional capacity building initiatives across different countries, sectors and levels of government (both within client countries and within the Bank); and (ii) improved quality of future proposals presented to the Fund, which are expected to incorporate in their design key lessons learned from the performance review, evaluations and case studies, which in turn is expected to lead to better results in strengthening institutional capacity of client countries.

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<sup>1</sup> A meeting of an Expert Advisory Group was envisioned during the creation of the ICSF in 2009, with the idea that such a group would provide a consultative process that involved a panel of recognized experts on institutional capacity to support the substantial activities of the ICSF. The first meeting took place on April 12, 2013. The Expert Advisory Group, comprised of academics and policymakers, advised the ICSF Strategic and Eligibility Committee on the key innovations in the state modernization agenda that could be explored and areas that the ICSF could prioritize in future allocations, including the importance of working on inter-institutional coordination for policy design and implementation, support to long-term national development strategies, and knowledge exchange and cooperation at the subnational level, among others.

<sup>2</sup> Document GN-2524, paragraph 3.11.

<sup>3</sup> Operations Policy Committee, Summary of the 30 April 2009 meeting (OPA/09/5 Final)

**Component II. Fund Management.** The ICSF is among the largest funds in the Bank, with commitments close to US\$10 million per year and over 100 projects under execution. This component aims at strengthening the Fund’s technical management, including the existing portfolio and future proposals. The activities of this component will include: (i) Identification and management of demand for TCs, including the adequate and timely analysis of potential proposals, providing technical guidance to preparation teams, and liaising with the Eligibility Committee; and (ii) Strengthening portfolio management, ensuring an updated project database, with tracking of projects’ financial and performance indicators and maximization of available resources.

The expected result of this component is to contribute to the strengthening of institutional capacity in LAC through maximizing the impact of the projects financed by the ICSF in client countries. A more timely, proactive and high quality response by the Technical Secretariat to each project team during the design and implementation of the proposals is expected to lead to a better and more timely execution of the activities, a closer monitoring of results achieved and better outcomes for client countries.

**Component III. Dissemination.** This component aims at contributing to the dissemination of the Fund’s interventions and activities, including information regarding the progress and outcomes of the proposals financed with Fund resources. Some of the main activities of this component include: (i) periodic updates to the content and design of the website and mobile apps; (ii) the preparation of an annual report, presentations and/or other dissemination material (multimedia) of ICSF activities for the Board of Directors and client countries (content, design, printing or production); (iii) videos with initial results; and (iv) a partnership with the Latin American Center for Administration for Development (CLAD), to disseminate ICSF’s results in its 2014 annual conference.

The expected result of this component is to enhance accountability to client countries and the Board of Directors through a stronger dissemination of the Fund’s results. This enhanced accountability is expected to increase the possibility of achieving fund replenishments for institutional capacity building once the fund’s executing period is over.

#### Indicative Results Matrix

Component/Output/Outcome	Indicator	Baseline (2013)	Target	Date
<b>Component 1. Knowledge</b> Council of External Advisors workshop; Summary report of workshop	Experts’ workshop Report	1 1	2 2	Q2 2015 Q4 2015
<b>Component 2. Fund Management</b> Strengthening portfolio management	Quarterly reports % of TCs in alert	0 9.6%	10 5%	Q2 2016 Q2 2016
<b>Component 3. Dissemination</b> Development and maintenance of website; Preparation of annual reports; Promotional videos	Updates to ICSF website Completion of annual reports Videos	1 1 1	6 3 3	Q2 2016 Q2 2016 Q2 2016

#### Indicative Budget

Activity/Component	Description	Total Funding (US\$)
<b>Component 1. Knowledge activities</b>	International workshop Summary report	55,000 5,000
<b>Subtotal Component 1</b>		<b>60,000</b>
<b>Component 2. Fund Management</b>	Consultant portfolio mgmt. (2 years)	150,000
<b>Subtotal Component 2</b>		<b>150,000</b>
<b>Component 3. Dissemination</b>	Dissemination and other materials ICSF website and videos CLAD Conference	40,000 40,000 30,000
<b>Subtotal Component 3</b>		<b>80,000</b>
<b>Total</b>		<b>320,000</b>

#### **IV. Executing agency and execution structure**

The executing agency for this TC will be the IDB. Since its founding, the Bank has taken a prominent role in promoting institutional capacity building throughout the LAC region through loans and technical cooperation projects (TCs). Due to its multilateral nature, the Bank is in the unique position to execute this regional TC, aimed at generating and disseminating knowledge on institutional capacity, and improving the management of the fund to leverage the achievement of results in client countries.

The unit of disbursement responsibility will be IFD/ICS, following its mandate to contribute to the development of the public sector's institutional capacity in client countries, and its role of technical secretariat of the ICSF.

**Procurement:** The Bank will contract all the consultancies in accordance with the Corporate Procurement Policies for RD type TCs (Corporate Procurement Policies).

#### **V. Risks and Mitigation Measures**

*Knowledge:* The risk that the experts' workshop does not lead to applicable conclusions related to what works or does not work in institutional capacity building efforts in the region is expected to be mitigated by requiring them to prepare very concrete points considering aspects that can be utilized in technical cooperation proposals for specific sectors and documenting the meeting through a summary report, as was done in 2013.

*Fund management:* The risk that reliable and timely performance information is not provided by task teams will be mitigated by the fact that this TC will ensure that adequate human resources are allocated to the ICSF Technical Secretariat to follow up individually with each project team leader on a bi-monthly or at least on a quarterly basis on the results achieved by TC activities.

#### **VI. Exceptions to Bank policy**

There are no exceptions to Bank policy.