

## TC ABSTRACT

### I. Basic project data

▪ <b>Country/Region:</b>	Regional
▪ <b>TC Name:</b>	Strengthening and Knowledge on Public Financial Management in Latin American Countries
▪ <b>TC Number:</b>	RG-T2574
▪ <b>Team Leader/Members:</b>	Carlos Pimenta (IFD/FMM), Team Leader; Belinda Perez Rincon (FMM/CDR), Alternate Team Leader; Leslie Harper (IFD/FMM); xxxxx (LEG/SGO); Marco Varea (consultant); and Marina Massini (IFD/FMM)
▪ <b>Taxonomy:</b>	Research and Dissemination
▪ <b>Date of TC Abstract:</b>	January, 2015
▪ <b>Beneficiary:</b>	Country members of FOTEGAL <sup>1</sup>
▪ <b>Executing Agency:</b>	Inter-American Development Bank through Fiscal and Municipal Management Division (IFD/FMM)
▪ <b>IDB Funding Requested:</b>	US\$200,000
▪ <b>Local counterpart funding:</b>	US\$40,000
▪ <b>Disbursement period:</b>	24 months; execution period: 24 months
▪ <b>Required start date:</b>	October, 2015
▪ <b>Types of consultants:</b>	Individual consultants
▪ <b>Prepared by Unit:</b>	IFD/FMM
▪ <b>Unit of Disbursement Responsibility (UDR):</b>	Institutions for Development Sector (IFD/IFD)
▪ <b>Included in Country Strategy:</b>	No
▪ <b>TC included in CPD:</b>	No
▪ <b>GCI-9 Sector Priority:</b>	Institution for growth and social welfare

### II. Objective and Justification

- 2.1 The objective of this Technical Cooperation (TC) is to support the Treasurers of Latin American countries to generate and disseminate new knowledge on Public Financial Management (PFM). To achieve this objective, the TC will support the Forum of Latin American Countries Treasurers (FOTEGAL) to prepare papers, studies and performance indicators on cash management, to be presented and discussed on annual meetings and included in the FOTEGAL's [web page](#).
- 2.2 Latin American countries are moving towards more reliable PFM systems and policies at different paces. Some of these countries already benefit from efficient and comprehensive levels of integration between budget, public accounting, treasury and

<sup>1</sup> [FOTEGAL](#) is a network of the Treasurers of Latin America and its main objective is to support exchange of knowledge and experiences in treasury management and public policies in this area. FOTEGAL was created in 2011 with the support of the Bank, the World Bank (WB) and the International Monetary Fund (IMF). All 16 members are Spanish speaking countries (Argentina, Bolivia, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, México, Nicaragua, Panamá, Paraguay, Peru, Dominican Republic and Uruguay).

public debt management with high level/quality of integration. Other countries still need to enhance bridging those components.

- 2.3 The call to upgrade institutional, functional, and technological frameworks of PFM in Latin American countries has been very significant as governments seek to achieve greater coverage, reliability, and timeliness of financial information. As a part of this modernization effort, there is pressure to streamline procedures and implement more sophisticated business models and technologies in national treasuries.
- 2.4 Latin American treasuries have made significant advances in the last two decades through the development of new practices and the adoption of information technology. In order to measure these developments, a series of indicators have been put forth in frameworks such as the Public Expenditure and Financial Accountability (PEFA) that seeks to measure efficiency in treasury management processes. However, available indicators fall short on quantitative efficiency indicators that can be used to measure performance results. To address this, it is important to support the treasurers calculating indicators to assess the coverage and profitability of the Treasury Single Account (TSA), the efficiency and timeliness of collecting revenues and processing payments, the correctness of cash forecasting flows, the use of electronic payments, the total arrears transferred for the next fiscal year, among other issues.
- 2.5 A good option large adopted in the region is the creation of a TSA that centralizes public resources and permits their management in an integrated manner. This approach allows Treasuries to assume modern functions, such as the development of forecast mechanisms, planning and financing efficient financial investments and conducting active cash management. While the implementation of the TSA has advanced significantly in the region in the last two decades, there are still major challenges to its full adoption that lies, in some cases, in legal and institutional capacity limitations that hinder transitions to more efficient models.
- 2.6 All countries in Latin America have an integrated financial management information system (IFMIS), though many are now in a process of modernization. IFMIS are information systems that support budget, financial and accounting management in the public sector, which promotes improvements in the overall management of public resources. Although the depth and extent of the reforms vary across countries, some strategic aspects of IFMIS reforms include the political economy analysis of the project, the kinds of software development strategies were explored, guarantees and testing methods, and strategies for the implementation and upkeep of the systems. In this regard, challenges faced by countries include the impact of accrual accounting reforms on IFMIS, finding synergies between IFMIS reforms and budgeting for results strategies, assisting cost accounting efforts through the provision of information, and exploring the use of IFMIS at a subnational level.
- 2.7 Although there are substantial improvements in PFM modernization in the region, important challenges remain to be worked with treasuries, like: (i) develop and apply quantitative efficiency indicators related to treasury management performance; (ii) expand coverage of TSA; (ii) improve cash management planning; (iii) modernize IFMIS to include accrual accounting reforms and explore the use of IFMIS at a subnational level; and (iv) streamline procedures and implement more sophisticated business models and technologies in national treasuries.

2.8 Considering the different paces observed in PFM reforms, this TC will support knowledge development, exchange of experiences and dissemination of lessons learned, thus promoting innovation on PFM integration.

### III. Description of activities and outputs

3.1 **Component 1. Knowledge generation on treasury management.** This component will support treasury performance indicators design and application on the 16 countries of FOTEGAL, those will permit institutional capacity strengthening results of this TC can be measured; and discussion papers on cash management and other PFM policies applied in the countries of the region, such as: (i) key performance indicators for treasury management; (ii) transparency and efficiency on cash management; (iii) expanding coverage of TSA; (iv) improve cash management planning; (v) modernize IFMIS to include accrual accounting reforms and explore the use of IFMIS at a subnational level; and (vi) sophisticated business models and technologies in national treasuries.

3.2 **Component 2. Knowledge dissemination on treasury management.** This component will support the dissemination of studies and good practices cases to be presented and discussed on the annual meetings of FOTEGAL and in its [web page](#). This will include resources to organize Treasurers meetings and to operate de FOTEGAL web page. The institutional development outcome will be measured using this component, to better understand how the website, studies and other activities will contribute to strength treasuries institutional capacities..

3.3 The TC Document will include a Sustainability Plan detailing, among others, the goals the TC will have in terms of financial sustainability (i.e. financing sources for supporting FOTEGAL alternative/complementary to those of the IDB), the role of other multilateral organizations (WB, IMF, etc.) in supporting these forums, and the role participating countries are already having in financing part of the forums costs (local counterpart), as well as the TC's strategy to attain these sustainability goals.

### IV. Budget

4.1 The TC will finance: (i) events and seminars; (ii) studies, discussion papers and guidelines; and (iii) knowledge platform and webpage's maintenance.<sup>2</sup>

**Table 1. Indicative Budget (US\$)**

Components	Description	Source of Financing		
		IDB	Local	Total
Component 1. Knowledge generation on treasury management	Performance indicators application on the 16 countries of FOTEGAL and preparation of six Discussion Papers on treasury management	120,000	-	120,000
Component 2. Knowledge dissemination on treasury management	Support <a href="#">FOTEGAL</a> international events, operation of its web page, development of a sustainability plan, and a proposal to measure the impact on strengthening treasuries institutional capacities.	80,000	40,000	120,000
<b>TOTAL</b>		<b>200,000</b>	<b>40,000</b>	<b>240,000</b>

<sup>2</sup> The contracts for the preparation of the products could also finance consultancies and travel costs.

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

- 5.1 This TC will be executed by the Bank because the legal structure of FOTEGAL doesn't permit to receive and execute financial resources and the Bank has strong expertise executing other similar Regional TC. The components will be executed in coordination with FOTEGAL's Presidency and its Technical Committee. The Bank will be responsible for contracting consultancies and technical and disbursement responsibility will be under IFD/FMM.

## **VI. Project Risks and Issues**

- 6.1 Previous experience working with National Treasurers showed good execution, however, a potential risk remains on the sustainability of the network. To mitigate this risk, FOTEGAL will prepare, with support of the Bank, a sustainability plan for the network.

## **VII. Environmental and Social Classification**

- 7.1 According to the environment and Safeguards Compliance Policy (OP-703), this TC classified as "C" and does not require further action.