

Technical Cooperation (TC-ABSTRACT)

I. BASIC INFORMATION

Country: Regional

TC name: Innovations in Public Investment Systems

TC number: RG-T2288

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Operation type: Research and Dissemination

TC profile date: February 8, 2013

Beneficiary: Colombia, Ecuador, Guatemala, Paraguay, Perú, and Trinidad & Tobago.

Executing agency: Inter-American Development Bank - (IDB) through the Fiscal and Municipal Management Division (IFD/FMM)

Financing: IDB (KPC): US\$850,000
Total: US\$850,000

Date of TC startup: March 15, 2013

Execution period: 36 months **Disbursement period:** 36 months

Prepared by Unit: IFD/FMM

Unit of disbursement responsibility: Headquarters (HQ) through the Institutions for Development Sector (IFD)

Consultancy types: Individual

TC included in CS or CPD Yes [] No [X]

GCI-9 priority: Yes [X] No [] Institutional strenghtening and capacity development

II. OBJECTIVES AND JUSTIFICATION

- 2.1 The objective of the technical cooperation (TC) is to provide policy options for innovations in public investment systems. By comparing the public investment management systems in the LAC countries to those of The Organization for Economic Co-operation and Development (OECD) countries and Korea, this TC will encourage the LAC countries to apply innovations to improve their own systems. This, in turn, will promote sound fiscal conditions through more efficient execution of public expenditures.
- 2.2 Since public investment projects tend to be large in size and are subject to discretionary decisions, they can have a significant impact on fiscal soundness.

Therefore, it is valuable to emphasize the need for efficient public investment management systems (PIMS). PIMS are more effective when they are integrated with other areas of Public Financial Management (PFM) and the overall fiscal policy framework. PIMS in LAC countries are not completely integrated with PFM and the macro-fiscal policy framework. OECD countries are good examples for LAC countries in terms of how to introduce and integrate PIMS with a consistent fiscal policy framework. In particular, among OECD countries, Korea is a good example in the successful implementation of various procedural and technological tools for effective public investment management. There are important lessons to learn from the Korean experience, as a former developing country, on how to adapt advanced developed systems, adjust them to country-specific cases, and implement innovations in PIMS. The main example of such lessons is the need to automatize monitoring and evaluation processes in PIMS.

III. DESCRIPTION OF ACTIVITIES

- 3.1 **Component I. Analysis of Public Investment Management Systems in the OECD and Korea.** This component will review innovative PIMS. Korea, who introduced fiscal innovations in the 2000s within the parameters of the OECD, will be used as a model case of a developed PIMS. The analysis will cover innovations in 5 key aspects: (i) link between planning and budget; (ii) ex-ante screening the feasibility of public investment and managing total project cost; (iii) monitoring and evaluation of public investment projects; (iv) ex-post impact evaluation; and (v) link between PIMS and the overall Fiscal Information Management System. An example of such innovations is the application of automatic monitoring and evaluation techniques (tests) during project execution to re-size or cancel non-performing public investment projects.
- 3.2 **Component II. Analysis of public investment management systems in selected LAC countries.** This component will profile the PIMS of selected countries: two developed systems: Colombia and Perú; and four less developed systems: Ecuador, Guatemala, Paraguay, and Trinidad & Tobago. The PIMS in these countries will be benchmarked to the Korean (and OECD) case, based on the five aspects listed in Component I. For this purpose, the TC will carry out a case study for each of these countries. The study will include an evaluation of bottlenecks in PIMS implementation. As a result of this component, the Bank and the countries will have validated knowledge and a systematic evaluation of six LAC PIMS.
- 3.3 **Component III. Dissemination of benchmarking exercise for LAC countries.** After benchmarking between the OECD, Korea and the six country case studies, this component will finance several knowledge dissemination workshops, a policy brief, and a policy seminar to present recommendations to improve PIMS in LAC.

IV. BUDGET

- 4.1 The technical assistance costs (in US\$) for the TC are indicated in Table 1 below.

| Table 1 | | | |
|--|------------------|------------------|------------------|
| Components | Year 1 | Year 2 | Total |
| Research Coordination and Case studies for EC, TT, GU, PR) | \$160,000 | \$160,000 | \$320,000 |
| Country case studies (CO; PE;) | \$90,000 | 0 | \$90,000 |
| Technical workshops to present the case studies (2) | \$120,000 | 0 | \$120,000 |
| Policy seminar in Washington, DC (1) | 0 | \$60,000 | \$60,000 |
| Translation services | \$20,000 | \$20,000 | \$40,000 |
| Publications | 0 | \$60,000 | \$60,000 |
| Participation of Korean experts in workshops and seminar | \$80,000 | \$80,000 | \$160,000 |
| Total | \$470,000 | \$380,000 | \$850,000 |

V. EXECUTION SCHEME

- 5.1 The Bank, through the Fiscal and Municipal Management Division (FMM), will manage the execution of the technical assistance. This research TC will be conducted also in close collaboration with FMM staff in country offices, staff from the Korean Ministry of Strategy and Finance (MOSF), and staff from the Korean Development Institute (KDI).
- 5.2 The capacity to conduct public invest management will be strengthened in the beneficiary countries through the development of the case studies of the six LAC countries, a technical workshop to present the case studies, a policy brief, and a policy seminar in Washington, DC.
- 5.3 The background paper, the country case studies, and the policy brief will be translated from Spanish into English or English into Spanish, as needed, to help proper knowledge dissemination both in LAC and among Korean officers involved.

VI. PROJECT RISKS AND ISSUES.

- 6.1 The risk for this project is that the country authorities may not give priority and fail to take advantage of the Bank's recommendations to improve PIMS. This is likely if member countries are not informed properly of the benefits of this benchmarking exercise. To mitigate this risk, the Bank will coordinate the preparatory steps for the action plan and the execution schedule of the TC with the authorities through FMM staff in the respective LAC countries.

VII. ENVIRONMENTAL CLASSIFICATION

- 7.1 The team considers that, according to the Bank's Safeguards Screening Toolkit, this operation should be given a classification of "C" with no further mitigation actions.