

TECHNICAL COOPERATION ABSTRACT

I. BASIC PROJECT DATA

Country/Region:	Regional
TC Name:	Improving Fiscal and Institutional Governance Indicator Benchmarking
TC Number:	RG-T2588
Team Leader/Members:	Gilberto Chona, Team Leader; Gustavo Garcia; Edna Armendariz; Leslie Harper; Natalia Rezai; and Dianela Avila, Project Assistant (IFD/FMM); Jorge Von Horoch; Mariano Lafuente; Miguel Porrua; Nicolas Dassen; and Pedro Farias (IFD/ICS); Félix Quintero (LEG/CLA); Attorney (LEG/SGO).
Taxonomy:	Research & Dissemination (R&D)
Date of TC Abstract:	May 5, 2015
Beneficiary:	Regional (Latin American and the Caribbean countries - LAC)
Executing Agency:	Bank executed, through IFD/FMM.
IDB Funding Requested:	US\$550,000
Disbursement period (which includes execution period):	30 months
Required start date:	June, 2015
Types of consultants:	Firm/Individual Consultancies
Prepared by Unit:	Fiscal and Municipal Management Division (IFD/FMM)
Unit of Disbursement Responsibility (UDR):	Institutional Capacity and Finance (IFD)
Included in Country Strategy:	No
TC included in CPD:	No
GCI-9 Sector Priority:	Institutions for Growth and Social Welfare

II. OBJECTIVE AND JUSTIFICATION

- 2.1 In an effort to broaden understanding of how governments can provide solutions to public policy challenges, the Organization for Economic Co-operation and Development (OECD) introduced *Government at a Glance*, which analyzes and compares governments' capacities, outputs and performance across a broad range of policy areas. To extend this exercise to Latin American and Caribbean (LAC) countries, the Inter-American Development Bank (IDB) and the OECD published in 2014 the first regional edition of *Government at a Glance*. Since then, the publication has helped to fill an important gap in cross-regional and regional comparative data on government processes, institutions, structures, inputs and prevailing public financial management practices.
- 2.2 The financing of this project was provided by the Institutions for Development Department (IFD/IFD), given its affinity with the building and strengthening of institutions through collaboration and high-quality data. The main objective of the book was to work with the OECD in applying well-established methodologies and surveys in a region that has gaps in data, and then using that data to determine areas in which LAC and OECD practices align or differ, in order to strengthen public institutions.

- 2.3 As citizens and businesses in LAC expect better and more efficient delivery of services, greater transparency, increased social inclusion and less corruption, LAC countries are striving to cope with slower global growth, lower commodity prices and a deterioration in terms of trade. In this context, the availability of concise, comparable government performance indicators is critical to determine whether governments are being effective, efficient and open.¹
- 2.4 In response to these demands, the IDB, in coordination with international organizations and governments, created communities of practice that foster collaboration, the sharing of experiences across countries, and promote data collection exercises to properly inform public policies for better governance.
- 2.5 These communities of practice are important to the setting of a development agenda that is specific to policies and public institutions in the region. For instance, the creation of the *Comunidad de Profesionales y Expertos en Latinoamérica y el Caribe en Gestión para Resultados en el Desarrollo* (CoPLACGRD) highlights the need to improve the quality and efficiency of public expenditure. In parallel, the Open Government Partnership (OGP) advocates for a more accountable, open and responsive relationship between governments and citizens. The LAC Network of Public Procurement Officials explores the use of information and communication tools (ICT) on the purchase of goods and services and the IDB network on regulatory governance highlights governments' interest in governance beyond the state and through regulation.
- 2.6 The institutional policy agendas that arise from discussions held by officials during network meetings draw attention to the need for reliable data and precise metrics. Through these exchanges, officials can judge the status of their own practices and policies, track their progress over time and compare themselves with other countries in the region and in the OECD. The second edition of *LAC Government at a Glance* will address this need by placing this information at the disposal of policy makers that seek to tackle institutional development shortcomings in their countries.
- 2.7 The particular institutional shortcomings that will be explored through this TC relate to fiscal and public management practices.² Under the fiscal umbrella, the analysis will focus on public finance and economics, budget practices and procedures and procurement. These three topics have been selected given that the slowdown in global economic growth and the drop in commodity prices have made the efficiency and effectiveness of government spending paramount to the sustainability of fiscal policy.³ As such, this TC will explore topics such as budgeting in the health sector, the use of cost benefit analysis to increase value for money in public investment projects, and the development of information and communication technology (ICT) tools to generate savings in public procurement.⁴ Given this array of topics, key stakeholders will be the Ministries of Finance, Planning, and Economics and the specialized Procurement Agencies that will coordinate the collection of data and then use the produced indicators as a basis for their own policy-making.

¹ Santiso, Carlos et al. *Improving Lives Through Better Government: Promoting Effective, Efficient, and Open Governments in Latin America and the Caribbean* (IDB; November 2014).

² The TC will invite all Latin American and Caribbean member countries to participate in the data collection process. However, the following countries will comprise the "core" of the publication since they are the subset of countries that provided data for the first *LAC Government at a Glance*, and for which there would now be time series data: Argentina, Brazil, Barbados, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Jamaica, Mexico, Panama, Paraguay, Peru and Uruguay.

³ IDB (2014), *Government at a Glance: Latin America and the Caribbean 2014 – Towards Innovative Public Financial Management*.

⁴ IDB (2015). *Public Financial Management in Latin America: The Key to Efficiency and Transparency*. Forthcoming.

- 2.8 Under the umbrella of public management practices, the analysis will focus on public employment, centres of government, regulatory governance and open government. Public employment has been selected as a topic because, from a civil service perspective, much remains to be done in the region regarding human resource planning, recruitment and selection, professional development and incentives for professionalization.⁵ The topic of centres of government will be analyzed to see how strategic agendas are translated into institutional policies and then rolled-out across the whole of government.⁶ The TC will explore regulatory governance as well given that governments must also invest in an effective regulatory policy that will ensure regulatory decisions related to these strategic agendas are made in an objective and consistent manner. Finally, as the relationship between citizens and governments in the region transforms, government initiatives that make this relationship more dynamic, mutually beneficial and transparent become increasingly important.⁷ This TC will therefore define and mainstream open government indicators in the region and how they can contribute to innovation in the public sector, the empowerment of citizens and the design of more inclusive and effective public policies for institutional development.⁸ Given these topics, the stakeholders will be the body that provides support to the Head of Government and its council of ministers, government regulators, and officials that manage open government policies.
- 2.9 The objective of this Technical Cooperation (TC) is to broaden the base of comparative indicators on current practices in fiscal and institutional governance to advance the development of public sector management in LAC.

III. DESCRIPTION OF ACTIVITIES AND OUTPUTS

- 3.1 **Component 1. Design of indicators for a comparative analytical framework.** The objective of this component is to determine the content of surveys that will allow the team to apply a comparative analytical framework that describes the public “production” process, identifying five types of indicators: (i) contextual factors; (ii) inputs; (iii) processes; (iv) outputs; and (v) outcomes. With this framework in mind, team members will work closely with their technical counterparts in the OECD to select the appropriate surveys, whose corresponding data will serve as the basis of the analysis. Once the surveys are selected, the team will adapt them for application according to the realities and demands of the LAC region.
- 3.2 **Component 2. Application of the comparative analytical framework.** The objective of this component is to apply several surveys in LAC countries to collect reliable and internationally-comparable data according to the framework elaborated under Component 1. In this particular component, the team will work directly with government officials, either

⁵ IDB (2014). *A Decade of Civil Service Reforms in Latin America (2004-2013)*.

⁶ Alessandro, M. et al. *Governing to Deliver: Reinventing the Center of Government in Latin America and the Caribbean*. Inter-American Development Bank.

⁷ Dassen, Nicolás et al. *Open Government and Targeted Transparency: Trends and Challenges for Latin America and The Caribbean* (IDB; October 2012).

⁸ OECD (2015), *Gobierno Abierto en América Latina*; IDB (2012).

leveraging existing annual network meetings⁹ or holding regional workshops, where IDB and OECD team members will discuss survey questions, concepts and data limitations. The workshops and the data collection will allow officials to develop ownership over their data, indicators, and the process in general. Officials will learn from the exercise what challenges are present in their respective agencies in regards to data availability, coordination and technical expertise. This acquired knowledge will help them in future exercises related to indicator design and data collection standards.

- 3.3 **Component 3. Analysis.** The objective of this component is to process and analyze the data that was collected under Component 2. Since the objective of the publication is to shed light on governance activities and practices, the analysis will center on the strengths and weaknesses of government practices in each topic. At the core of the analysis is the relevance of each indicator and its potential impact on institutional development. The team will also elaborate a Policy Chapter to put forth policy recommendations, whose theme will center on a relevant policy issue related to institutional development, and will draw on an assortment of data from each survey. All of the analysis will then be compiled into a single publication entitled *Government at a Glance: Latin America and the Caribbean 2016*, co-published by the IDB and the OECD.
- 3.4 **Component 4. Dissemination.** The objective of this component is to disseminate the findings and recommendations of the analysis with the goal of strengthening countries' institutional capacity through a set of comparative indicators. The strategy will be three pronged. The first prong will consist of a launch of the book created under Component 3, where the primary audience will be citizens and the media. The objective is for citizens to get a snapshot of the situation in the region and for the media to shed light on the strengths and weaknesses exhibited by countries.¹⁰ The second and most important prong will consist of presentations delivered to public officials, either at annual network meetings or regional presentations, that helped collect the data in order to present the analytical findings and potential policy implications. Through these presentations, IDB experts will establish important dialogue on the importance of particular government policies and activities in each topic. Finally, the third prong will consist of drafting and distributing "Country Fact Sheets," which summarize key findings on a country by country basis. The information in these Fact Sheets will be presented using infographics that can be easily shared and used by specialists seeking reliable and concise information.

IV. SUSTAINABILITY PLAN

- 4.1 The institutional and financial sustainability of the initiative proposed in this TC hinges on the ability to secure support from LAC countries and donors to repeat the governance indicators benchmarking exercise on a bi-annual basis. While the purpose of the first exercise in 2014 was to set a baseline, the purpose of the current exercise for 2016 is to set an analytical trend for comparative indicators on institutional governance. The institutional sustainability should be secured through the mainstreaming of the use of indicators to

⁹ Red de Sistemas Nacionales de Inversión Pública de América Latina y el Caribe; Red de Presupuesto por Resultado; Red de Directores de Compras Públicas, Red de Gobierno Abierto, Red de Gobernanza Regulatoria.

¹⁰ *Government at a Glance: Latin America and the Caribbean 2014* was referenced and/or quoted in Oxford Analytica, Public Finance International, Diario Reforma, El Mercurio, La Jornada, Factiva, Periódico AM, Periódico Terra, Diario del Yucatán, El Financiero, La Prensa (Organización Editorial Mexicana), Imagen del Golfo, SDPnoticias.com, and The Economist, among others.

benchmark public governance policies for institutional development within the communities of practice (networks). Financially, the two exercises are significantly subsidized by the IDB through administrative budget and donor trust funds. A future exercise should seek a financially sustainable strategy centered in broadening the partnership beyond the IDB-OECD, towards other multilaterals such as the World Bank, ECLAC, CAF, and sub-regional development banks to provide financing, as well as analytical inputs through staff collaborations.

V. BUDGET¹¹

Activity/Component	Description	IDB/Fund Funding
Component 1	Design of analytical framework	\$153,000
Component 2	Implementation of analytical framework	\$133,000
Component 3	Analysis	\$164,000
Component 4	Dissemination	\$100,000
TOTAL		\$550,000

VI. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 6.1 The Bank through IFD/FMM will be responsible for the execution of this TC. FMM has substantial experience in providing technical assistance knowledge and expertise in the area of public financial management, with an emphasis on public expenditure management and budgetary policy. The Institutional Capacity of the State Division's (IFD/ICS) will also provide substantial input given their experience in strengthening capacity, accountability and responsiveness in public sector governance, particularly in the areas of public employment, centers of government, regulatory governance, open government, and regulatory governance. The Bank will be responsible for the contracting of consultancies and will carry out the selection and hiring of the consulting services in accordance with Bank policies and procedures.

VII. PROJECT RISKS AND ISSUES

- 7.1 This TC faces three different risks. The first risk is the unwillingness of governments to participate in the data collection process (surveys). To mitigate this risk, the team is working through existing IDB networks in order to promote, face-to-face, the usefulness of the survey and, more importantly, how the corresponding data can be used to inform policy decision-making and provide evidence for ongoing reforms. The second risk we face is that governments will be slow to respond or, in some cases, hesitant about publishing sensitive data. To mitigate this risk we will use the minutes of these network meetings in order to

¹¹ An additional USD 64,000 in funding will be provided by IFD/ICS, from TC *Institutional Capacity Building for the Regulation of Markets* (RG-T2300), in order to subsidize survey modules and analysis related to Regulatory Governance.

formalize the commitment on behalf of countries to adhere to a pre-established timeline. The team will also work with IDB country officers, who have the ability to meet with respondents and who normally have good, standing relationships with government officials. We will also conduct three rounds of validation to ensure governments are comfortable with the data, its presentation and its interpretation. The third risk we face is that we may not be able to ensure the quality of the data. To mitigate this risk we will adapt each survey to the reality of the region, provide glossaries for each survey, discuss the survey at each network meeting, follow OECD quality control guidelines, cross-check the data with third party sources (IMF, World Bank databases and publications) and work with IDB country offices to validate the data once it is collected.

VIII. ENVIRONMENTAL AND SOCIAL CLASSIFICATION

- 8.1 No adverse environmental impact is expected from this TC. This operation is proposed to be classified as Category "C".