

## TC Document

### I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Solutions-Driven Approach to Build State Capability: Enhancing Strategic Transversal Management Systems
▪ TC Number:	RG-T4254
▪ Team Leader/Members:	Mosqueira Medina, Edgardo (IFD/ICS) Team Leader; Naranjo Bautista, Sandra (IFD/ICS) Alternate Team Leader; Lafuente, Mariano (IFD/ICS); Lagarda Cuevas, Guillermo (IFD/ICS); Laura Rodriguez Hernandez (IFD/ICS); Mendieta Navarro, Claudia (IFD/ICS); Sara Vila Saintetienne (LEG/SGO)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	6 February 2023
▪ Beneficiary:	Colombia, Ecuador, El Salvador, Perú, México
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Institutions(W2C)
▪ IDB Funding Requested:	US\$200,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	24 months
▪ Required start date:	1 May 2023
▪ Types of consultants:	Individuals
▪ Prepared by Unit:	IFD/ICS-Innovation in Citizen Services Division
▪ Unit of Disbursement Responsibility:	IFD/ICS-Innovation in Citizen Services Division
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2020-2023:	Institutional capacity and rule of law

### II. Objectives and Justification of the TC

**2.1 The objective of this TC** is to support public agencies to build the capabilities required to strengthen their Strategic Transversal Management Systems (STMS) -as well as the digital government, transparency, and rule of law arrangements supporting STMS operation-, through a solutions-driven approach. To this aim, the TC will work with selected public agencies in the region to (i) carry out analytical work to understand capability problems faced by public agencies in the operation of their STM which limit the compliance of their functions and the delivery of services; (ii) design and iteratively adapt solutions-driven interventions aimed to create/strengthen the required capabilities, and (iii) implement pilots to test and adapt the proposed solutions to the characteristics of the public agencies in beneficiary countries.



**2.2 The Strategic Transversal Management Systems (STMS) comprises the main governance and administrative arrangements public agencies use to fulfill their functions and deliver services.** The STMS governance and administrative arrangements include (a) the core strategic government institutions: Center of Government, Planning, and Monitoring and Evaluation systems; (b) the core public sector operative institutions: civil service/wage bill (including digital talent), supply of goods and services and infrastructure management; (c) regulatory systems; and (d) digital government and data management tools supporting the STMS. Besides, STMS operate under an authorizing environment (which includes normative mandates and political will) as well as under an accountability framework (comprising mechanisms of transparency, integrity, and rule of law). By strengthening STMs this TC will contribute to building the capabilities needed by public agencies to improve policy implementation and service delivery in beneficiary countries.

**2.3 Latin America and the Caribbean public administrations face a critical challenge regarding STMS capabilities.** Not only that, on average, related indicators are below OECD standards, but also, all the indicators show a setback in the last decade. The state's actions shape the legal, regulatory, and policy realities and scope for action by people and organizations within a country (Pritchett, 2021). State capability understood as the ability of organizations to perform their functions and achieve objectives through the effective, efficient, and transparent use of STMS, could be summarized with 4 key indicators reported by the Worldwide Governance Indicators (WGI). In terms of government effectiveness, Latin America and the Caribbean (LAC) has worsened in the past years (from 58.41 percentile in 2011 to 50.10 in 2021) and is below OECD standards (86.6 in 2021). Something similar occurs for regulatory quality (from 56.96 percentile in 2011 to 52.58 in 2021), rule of law (from 52.19 percentile in 2011 to 49.04 in 2021) and control of corruption (from 58.78 percentile in 2011 to 49.80 in 2021), where the biggest setback occurred. In contrast, the OECD has been relatively stable above the 85 percentiles.

**2.4 A solutions-driven approach is not a new idea.<sup>1</sup>** This TC focuses on how to implement this approach in a scalable and sustainable way that could be amplified in Bank operations and governments. This TC uses as methodology, a solutions-driven approach aimed to have a clear understanding of the problems faced by STMS first, to design and iterate potential solutions to address the identified challenges and create or strengthen the required capabilities to solve them, including data-driven, citizens-centered, and agile approaches only then. Iteration and adaptation are critical to better understand where the highest likelihood of success in the LAC context (at national and sub-national levels). Besides, a recent analysis<sup>2</sup> shows that many of the problems faced by IDB projects to reach their development objectives are caused by a limited understanding of the many aspects of the problem they tried to address and resolve.

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<sup>1</sup> The [World Bank](#) and the [African Development Bank](#) "Country Policy and Institutional Assessment" (CPIA), as well as the [PEFA](#) framework are examples of methodologies based on the identification and assessment of problems preventing the adequate operation of state agencies, functions, resources and processes. Other donors, like [DFAT](#), [DFID](#), and [USAID](#), and other development organizations are also using this methodological approach to improve the design and implementation in the program cycle. Some of these initiatives are [Doing Development Differently](#) (DDD), [Problem Driven Iterative Adaptation](#) (PDIA), [Thinking and Working Politically](#) (TWP), and [Collaboration, Learning and Adaptation](#) (CLA) among others.

<sup>2</sup> Lessons learned and unlearned: Reflections from 116 PCRs.



This TC will support in-depth assessments of the capability problems that prevent governments to implement policies and deliver services successfully.

**2.5 This TC aligns with the current country strategies of the five participant countries contributing to their search for a more efficient, effective, and transparent State.**

This aligns with Colombia's country strategy that focuses on improving the quality of public expenditure and enhancing citizens' trust by improving transparency in the management of public resources and an integral digital transformation of public institutions. Ecuador's country strategy has as one of the priority areas the stabilization of public finances and institutional development. In the case of El Salvador, the country's strategy has as one of its priorities fiscal sustainability and efficiency. by strengthening public procurement, public service management, and the civil service, increasing the transparency and integrity of public finance, and enhancing the digital transformation of the public sector. Peru has as one of the priority areas of the country's strategy the institutional strengthening to improve service delivery. Finally, Mexico's country strategy prioritizes fostering more balanced and sustainable regional development and has engaged actively with state governments of the southern states in identifying specific solutions driven interventions.

**2.6 This TC is also consistent with the Bank's guiding policies.** The TC is aligned with the Second Update of the Institutional Strategy (UIS) (AB-3190-2) and is strategically aligned with the development challenges of Institutional Capacity and Rule of Law, as it will strengthen state capacity through a solutions-driven approach to ensure policy results and development effectiveness. There is also alignment with the Priority area of "Effective, efficient and transparent institutions" of the Ordinary Capital Strategic Development Program (GN-2819-14), through the expected results: (i) to strengthen the quality of institutions and policies as well as the provision of services and policy implementation, to improve public management and promote private sector development; and (ii) to leverage digital transformation to promote more effective, efficient and transparent governments, better and more equitable opportunities for citizens, and more productive and innovative enterprises. The TC also aligns with the Corporate Results Framework (GN-2727-12) in the indicator regarding government effectiveness. Finally, this TC is also aligned with the Transparency and Integrity Sector Framework (GN-2981-2) since it focuses on strengthening the transversal management, digital, transparency, and rule of law government systems through a solutions-driven approach, which is precisely the focus of the Sector Framework. One of the guiding principles of the sector framework is the need to focus on institutional quality and transparency to foster democratic governance and effective public service delivery, as well as using digital technologies to leverage transparency and integrity reforms.

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

**3.1 Component 1. Analytical work.** The goal of this component is to understand the common and most pressing capability problems faced by public agencies' STMS in the region. A clear understanding of the problem will inform and enhance the design and piloting of future interventions (component 2). The expected result of this component is two technical notes about the capability problems preventing the adequate operation of STM areas, as well as the challenges set by the existing authorizing environment and the accountability framework to state capacity buildings. For this purpose, the team will agree with government counterparts to work in specific STMS.



**3.2 Component 2. Design and iteratively adapt and implement solutions-driven interventions.** The objective of this component is to complement the analytical work (component 1) to design alternative and adaptable solutions to address the capability problems faced by the STMS, which will include technical solutions to address administrative constraints, incentive frameworks to remove the obstacles set by the authorizing environment and interventions to address the asymmetry of information for better decision-making, accountability, and transparency. The iteration of solutions designed will help identify those interventions that are more likely to succeed. The expected result will be a set of evidence-based interventions to address STMS capability problems in public agencies. These analyses will be agreed upon with the governments requesting TC support and will cover the STMS areas described in section 2.2.

**3.3** This TC will contribute to having a deeper understanding of the capability problems that public agencies face in the region. This information will guide our work, contribute to improving the effectiveness of the IDB's operations, and support our partner countries in their priority areas. Likewise, the design of the reforms, and the corresponding pilots, will contribute to increasing the capacity in the beneficiary countries in core capabilities required to improve policy implementation and service delivery. Finally, the TC outputs will provide useful methodologies and good practices to address public agencies' capability problems in Bank operations.

**3.4** The total cost of this Technical Cooperation will be US\$200,000 and will be financed with ordinary capital (OC SDP Window 2 – Institutions (W2C)).

#### **Indicative Budget**

<b>Activity/Component</b>	<b>Description</b>	<b>Total Funding</b>
<b>Component 1</b>	Analytical work	\$50,000
<b>Component 2</b>	Design and iteratively adapt and implement solutions-driven interventions	\$150,000
<b>Total</b>		<b>US\$200,000</b>

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

**4.1** The executing agency will be the Inter-American Development Bank, through the Innovation for Citizens Services Division at the Department of Institutions for Development (IFD/ICS). Given that this is a Regional TC, the Bank will play the executing role and the beneficiary countries will accept this explicitly, according to Annex II of the procedures for the processing of technical cooperation operations (OP-619-4). The IFD/ICS team will be responsible for the administration, planning, control, and supervision of the assigned financial resources, as well as all those activities related to the hiring of firms and consultants and the adequate organization, supervision and evaluation of the products contemplated within the TC considering the sustainability of the implementation of the project. For technical support activities, the relevant public entities of the participating countries will identify priority support areas, and the same entities will approve the selection of experts and tools to be used. The monitoring and



evaluation of this TC will be led by the TC's team leader in HQ, and the design and implementation of each pilot will be led by the team in the COF with support and supervision from the team leader in HQ. All knowledge products derived from this Technical Cooperation will be the Bank's intellectual property. The dissemination of knowledge products, financed through this TC, will contribute to the identification of pilot projects. IFD/ICS will obtain letters from countries for pilot project implementation before starting activities in those countries. Pre-selected countries are El Salvador, Perú, Colombia, Ecuador and México.

- 4.2 Procurement.** The Bank will hire the services of individual consultants per its policies as follows: (a) AM-650 for Individual consultants. The execution and disbursement period are expected to be 24 months.

## **V. Major issues**

- 5.1** The main risk recognized is the broad scope that the pilot interventions could have given that multiple problems and needs could be identified. This risk could be mitigated with close work with our counterparts that will allow us to have a better understanding of the local context, identify their priorities and help them narrow the scope of the intervention and set realistic and ambitious projects.

## **VI. Environmental and Social Strategy**

- 6.1** This TC will not finance feasibility or pre-feasibility studies of investment projects or associated environmental and social studies, for which reason it does not have applicable requirements of the Bank's [Environmental and Social Policy Framework \(ESPF\)](#).

### **Required Annexes:**

[Request from the Client - RG-T4254](#)

[Results Matrix - RG-T4254](#)

[Terms of Reference - RG-T4254](#)

[Procurement Plan - RG-T4254](#)