

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/IDB
▪ TC Name:	Better Data, Smarter Technologies and more Efficient Processes: A Roadmap for Greater Fiscal Transparency to Fight Corruption
▪ TC Number:	RG-T3669
▪ Team Leader/Members:	CALDERON RAMIREZ, ANA CRISTINA (IFD/FMM) Team Leader; PESSINO, CAROLA (IFD/FMM) Alternate Team Leader; LARIOS, JOSE I. (IFD/FMM); ASTUDILLO, KAREN (IFD/FMM); LORA ROCHA, OSCAR (IFD/FMM); KEVISH, MARIA LORENA (IFD/FMM); ALMEIDA OLEAS, NATALIA (LEG/SGO); YARYGINA UDOVENKO, ANASTASIYA (OVE/OVE)
▪ Taxonomy:	Research and Dissemination
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	19 Oct 2020
▪ Beneficiary:	Regional
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$450,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	IFD/FMM - Fiscal Management Division
▪ Unit of Disbursement Responsibility:	IFD/IFD - Institutions for Development Sector
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Institutional capacity and rule of law

II. Objective and Justification

- 2.1 The main objective of this technical cooperation (TC) program is to support Latin America and the Caribbean countries in strengthening their fiscal transparency and efficiency, by harnessing the use of data, expanding the body of knowledge about the topic and by designing and implementing action plans aimed at creating better rules, stronger institutions, and efficient processes, to tackle corruption and the mismanagement of public funds.
- 2.2 In the face of shrinking budgets, governments in the region have faced the challenge of not only overcoming technical and allocative efficiencies but more importantly curbing corruption for improving the management of their public resources. Tackling transparency and efficiency of fiscal policies and practices have become a key factor to improve (i) public sector's performance, (ii) economic development and growth, and (iii) the quality of and equitable access to public services that are provided to the citizens in the Latin America and Caribbean region.
- 2.3 In normal times, fiscal management in Latin America in general struggles to provide adequate services while containing corruption. The coronavirus (COVID-19) pandemic has amplified this challenge, given the shot-up demand for medications and medical equipment and services. Existing safeguards might be bypassed due to pandemic

urgency. Careful public procurement, enhanced transparency, and rigorous monitoring help deter misbehavior, or detect it early. Where anti-corruption initiatives have been made corruption is less likely, but it is difficult to initiate such reforms during a pandemic.

- 2.4 Crucial role of active fiscal management in alleviating the fall-out of COVID-19 pandemic was highlighted in a recent Webinar (June 11, 2020) – “Riding out COVID-19 pandemic: Korea’s Economic and Fiscal Reactions” hosted by the Bank’s FMM in collaboration with the Korean government, the Ministry of Economy and Finance (MOEF). Speakers and participants alike reaffirmed that in times of economic turmoil aggravated by the ongoing COVID-19 pandemic, benefits of an economic stimulus package can be maximized when it is carried out in a more efficient and transparent manner.
- 2.5 Although countries in the region have started to implement actions and have committed to improve on this area, progress has not been consistent across the board, and further reforms remain to be unlocked. First, proper use of databases is still limited on fiscal matters and there are very few integrated information systems. For example, tax and social attributes are in different databases and organizations gather the information separately without any coordination, which enable the leaks in transfers (rich people getting subsidies) or lack of coverage and even evasion. The intelligent use of data improves the way to target interventions and transfers; it improves the quality of public spending and increases transparency (i.e. target the correct people that need and receive social assistance, and use better prices when procuring goods, services and works).
- 2.6 Also, Institutions are weak and have inadequate processes with limited controls and accountability. A sound institutional environment in which high level organizations have a proper coverage, capacity and financial resources can limit the vulnerability to corruption. Thirdly, there is lack of proper diagnostics and indicators that can provide relevant information to prepare action plans; indeed most of the indicators that measure fiscal transparency, such as the Fiscal Transparency Evaluations (FTEs) by the International Monetary Fund (IMF), tend to assess the extent by which public financial management, public procurement and public investment processes comply with “good standards,” instead of addressing the key problems based on the final outcomes or results derived from these systems. Fourthly, although most procurement legislation in the region calls for the use of competitive and efficient tendering there are still many exceptions; Consequently, in several cases there is abuse of single-source procurement—a practice that induces corruption.
- 2.7 Finally, public officials and high-level authorities have limited knowledge about the main leakages and problematic areas that need to be addressed in order to raise quality in their spending and improve their revenue collection and management. Therefore, it is needed to strengthen their capabilities when designing and implementing strategic roadmaps and action plans to tackle corruption and to improve fiscal management practices.
- 2.8 As a response to the aforementioned challenges, this program will support governments in the region in achieving higher fiscal efficiency and transparency, by creating a body of knowledge (i.e. performance indicators) and set of tools to address and monitor fiscal matters, while enhancing public official capabilities and incentives; and creating stronger institutional environments. In addition, the TC will provide an opportunity for applying and sharing lessons learned from more advanced countries such as Korea. The Korea Institute of Public Finance (KIPF) has created a body of knowledge about cutting edge topics in the area of fiscal management. The Korea Public Finance Information Service (KPFIS) has contributed to the enhancement of public finance by supporting the stable operation and management of the digital

budget accounting system and by developing fiscal policy. The Fiscal Management Bureau (Ministry of Economy and Finance) has actively worked in implementing policies and practices to achieve fiscal efficient and transparency in the country.

III. Description of Activities and Outputs

- 3.1 **Component I: Component I: Research activities on fiscal transparency and anti-corruption, including the context of COVID1-19 pandemic.** Build a body of knowledge about practices, technologies, tools and methodologies to assess fiscal transparency, efficiency and corruption, including (i) a conceptual framework to understand how corruption works, including factors exacerbated by COVID-19 pandemic; (ii) a toolkit for assessing fiscal transparency and management in the region; (iii) a set of good practices; and (iv) flagship publication on curbing corruption and mismanagement in the fiscal area.
- 3.2 **Component II: Component II: Implementation of pilot projects for two countries with customized strategies and action plans.** Support designing and implementation of targeted activities in the area. The component will focus on: (i) the design of strategies and actions plans with consideration of ongoing COVID-19 impact ; and (ii) the implementation of a pilot and targeted activities aimed at improving the levels of efficiency and curbing corruption both in the revenue and public spending side. To maximize benefits, pilot projects will be geared towards two major LAC countries, Colombia and Brazil.
- 3.3 **Component III: Component III: Dissemination and training.** Support the development and implementation of publications, technical events, visits and trainings that can foster south-south cooperation, including: (i) the publication and communication about the products that are prepared in the TC and (ii) an event to present and foster collaboration among IDB specialists, public officials, academia, civil society and other international organizations that are interested in the topic. This event will be conducted in partnership with the Korean Government.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Component I: Research activities on fiscal transparency and anti-corruption, including the context of COVID1-19 pandemic	US\$200,000.00	US\$0.00	US\$200,000.00
Component II: Implementation of pilot projects for two countries with customized strategies and action plans	US\$150,000.00	US\$0.00	US\$150,000.00
Component III: Dissemination and training	US\$100,000.00	US\$0.00	US\$100,000.00
Total	US\$450,000.00	US\$0.00	US\$450,000.00

V. Executing Agency and Execution Structure

- 5.1 Given the substantial experience and knowledge that the IDB has regarding the design and implementation of the type of products that are under the scope of this TC, its regional dimension and the lack of adequate regional entities with capacity to carry out the Bank will be the executing agency through the Fiscal Management Division

(IFD/FMM), which is in accordance to the GN-2629 Appendix X literal (d). Bank execution will enable the program to consider the variety of experiences and lessons learned from the diverse governments in and outside the region which is critical for the program.

- 5.2 The activities to be executed within the scope of this operation will follow: (a) for the contracting of individual consultants, the Bank project team will observe Human Resource selection procedures (AM-650); (b) in the case of non-consulting services contracts, the Corporate Procurement Policy and Procedures (GN 2303-20) will be applied; and (c) for consulting firms, the Policy for the Selection and Contracting of Consulting Firms for Bank-executed Operational Work (GN 2765 1) and its Operational Guidelines (OP-1155-4) will be used.

VI. Project Risks and Issues

- 6.1 For the activities to be successful, this program will require on-going participation and commitment on behalf of the countries. There is a risk that competing priorities will slow the process down. This will be mitigated by ensuring countries ownership of the process from the beginning. There is also the possible risk of limited response of beneficiary entities to participate in due to political sensitivity or the limited knowledge of the program or its benefits . This will be mitigated by building awareness of the project among beneficiary entities through a close collaboration with the diverse networks that are managed by FMM.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "undefined".