

TECHNICAL COOPERATION PROFILE

BARBADOS

JUNE 18, 2007

I. BASIC PROJECT DATA

Project name:	Strengthening the Capacity of the Government of Barbados to Manage for Results		
Project number:	BA-T1003		
Project team:	Leader: Rafael de la Cruz (RE3/SC3); Desmond Thomas (RE3/OD6); Ana Lucía Saettone (RE3/SC3); and Marie Laurence Telson (COF/CBA)		
Date of request:	Letter of Agreement dated November 24, 2005		
Beneficiaries:	Ministry of Economic Affairs and Development (MEAD); Ministry of Finance (MOF)		
Executing agency:	Ministry of Economic Affairs and Development		
Financing plan:	IDB: (PRODEV Account A)	US\$	450,000
	Local:	US\$	<u>50,000</u>
	Total:	US\$	500,000
Technical and basic responsibility:	Ministry of Economic Affairs and Development through the Public Investment Unit (PIU)		
Tentative dates:	Loan Committee:	July 2007	
	Approval by President:	July-August 2007	

II. BACKGROUND

A. Background

- 2.1 The Inter-American Development Bank is committed to support development effectiveness initiatives of its borrowing member countries in Latin America and the Caribbean. In order to reach this objective the Bank has approved a Program to Implement the External Pillar of the Medium-term Action Plan for Development Effectiveness (PRODEV), and has allocated resources to finance related activities with non-reimbursable technical-cooperation funds.
- 2.2 In particular, the diagnosis and action plan should be designed to strengthen performance capacity and enhance development effectiveness by assessing, and

then designing and implementing systems for management, administration, and measurement of results-based in: (i) planning and evaluation of investment programs; (ii) the project cycle, including design, execution, and monitoring; (iii) modernization of the budgetary and financial processes; (iv) systems for procurement, auditing, oversight, and control; and (v) statistics and information systems for management for results.

- 2.3 The Government will prepare the diagnosis and action plan with support of this Technical Cooperation. This process should include consultations with the private sector, civil society, and other stakeholders to ensure dialogue and an adequate degree of consensus on problems and proposed solutions. Once the first phase is completed, the country will be eligible for a second phase to implement the action plan, on a first-come-first-served basis.

B. Public sector modernization in Barbados

- 2.4 The Government of Barbados has historically recognized the importance of improving the efficiency and effectiveness of the public administration, and particularly the relevance of seeking and measuring tangible results.
- 2.5 A number of relatively recent initiatives have been implemented or planned over the years relevant to the objectives of PRODEV, including the following in the MOF: (i) Tax Administration and Expenditure Management Project, 1993; (ii) Program and Performance Based Budgeting, 1996; (iii) Financial Management Information System and Procurement System (SmartStream), with the Ministry of Civil Service, 1998; (iv) Human Resources Management Information System, also with the Ministry of Civil Service, 1999; (v) Accrual Accounting project, 2004, and (vi) the creation of the Central Revenue Authority –pending for approval in Cabinet.
- 2.6 Other departments have also engaged in a variety of projects, including: (i) Inland Revenue's Direct Credit, 2004; (ii) Automated Systems for Customs Data by the Department of Customs and Excise, 2004; (iii) an effort to develop e-government facilities by the Ministry of Civil Service, starting in 2002, which became since 2004 a project to develop the Barbados Integrated Portal; and (iv) Value-for-money Auditing or Performance Auditing, by the Auditor General's Office dating from 1998; and the Enabling Environment for Private Sector Investment Project by the Ministry of Industry and International Business, since 1996.
- 2.7 In addition to these efforts, the Government created the Public Investment Unit, currently reporting to the MEAD. This unit is specialized in planning, supervision, and management of public investment projects both financed by external sources and by the public budget. The PIU has a technical staff with managerial and economic background, which enables this unit to lead a wide range of programs. They have a critical role in the overall economic management for development.

- 2.8 The evidence shows that the country has made a sustained effort to strengthening public management and has given attention to establish public sector accountability. Based on this experience, the Government has requested assistance from the Bank to: (i) assess the current situation and results of the various initiatives; (ii) evaluate the degree of integration of the various systems as necessary; (iii) identify areas where there is room for improvement; and (iv) propose a plan of action in order to establish a comprehensive system of management for results.

C. Bank's strategy

- 2.9 The overall goal of Bank support in Barbados for 2005-2008 (GN-2395) is to strengthen its competitiveness as a basis for sustained growth and improved well-being of the population, including institutional capacity strengthening and promotion of efficient and competitive functioning of the public and private sectors.
- 2.10 The proposed operation, to be financed under PRODEV, will be instrumental in contributing to the objectives of the CS, specifically with regard to public sector performance and its contribution to increasing country productivity and competitiveness. This operation will also complement ongoing and planned operations financed by the Bank, particularly the Modernization of the Barbados National Procurement System (BA-L1004), and the Modernization of the Barbados Statistical Service (BA-L1009)

III. THE PROGRAM

A. Objective

- 3.1 This operation seeks to strengthen results-based management in Barbados by supporting a diagnosis of relevant public institutions and systems and the preparation of a medium term action plan to improve the performance, management, monitoring and evaluation capacity of the public sector.

B. Description

- 3.2 This Technical Cooperation (TC) will comprise three components which activities are designed to be guidelines for both the diagnosis and the action plan. The action plan will include the design of a training program to strengthen the capacity of the offices that will be in charge of its implementation. The training program will be eventually implemented with funds provided by a second phase of PRODEV.
- 3.3 The diagnosis should be comprehensive to include all or most interrelated systems in order to provide the Government with an overall view of its capacity and challenges for achieving managing for results. The diagnosis components of the present TC are the following:

1. Planning and evaluation of the public sector investment program (PSIP) and other investment programs¹; and project cycle, from identification to post-evaluation

- 3.4 This component will provide an assessment of the public sector's planning process, with emphasis on the functions related to the preparation of the public sector investment program (PSIP). The main activities will include: (i) review and take into consideration previous relevant studies, evaluations and projects conducted by the country; (ii) review the process that defines the public sector investment program; (iii) analysis of political economy, specially the incentives framework of stakeholders, which result in setting investment priorities when the PSIP is prepared; (iv) assessment of the capacity of the Government to prepare the PSIP; (v) assessment of the degree to which the demands for public investment are met by the PSIP; (vi) assessment of the effect of the business cycle on the PSIP and vice versa; (vii) assessment of the long-term planning capabilities for the preparation of the PSIP and its links to the budgeting process; and (viii) analysis of the sources of financing available for the PSIP; assessment of the information systems available for recording and monitoring public investment programs.

2. Budgetary and Financial Processes

- 3.5 This component will provide an assessment of the public sector's budgetary process and the implementation of the budget, with emphasis on assessing the efficiency and effectiveness of public sector spending. The activities of this component include: (i) review and take into consideration previous relevant studies; (ii) review the process that defines the preparation of the budget; (iii) analysis of political economy, specially the incentives framework of stakeholders, which result in setting public spending priorities when the budget is prepared; (iv) assessment of the technical capacity of the Government to prepare the budget; (v) assessment of the degree to which the demands for public services are met by the public spending; (vi) assessment of the effect of the business cycle on the budget and vice versa; (vii) assessment of the long-term planning capabilities in the preparation of the budget; (viii) analysis of the sources of financing available, including borrowing terms and the issues that relate to debt management; (ix) analysis of the efficiency and effectiveness of public expenditures; (x) assessment of budget accounting, reporting and information system; and (xi) gathering of information about two flagship projects currently undertaken by the Government: (a) Accrual Accounting Project; and (b) Creation of the Central Revenue Authority. The information gathered will be used to include in the action plan any additional support that the Government could request from the Bank in support to these flagship projects under the second phase of PRODEV, or using any other Bank's technical cooperation instrument.

¹ "Programs" is used interchangeably to signify PSIP and other programs

3. Auditing, Oversight, and Control; and review of current efforts in Procurement and Statistical Systems

- 3.6 This component will conduct diagnosis for supporting the Government to identify strengths and weaknesses of the auditing, oversight and control systems, as well as gathering information of progress on procurement, and statistical systems. The activities to be performed under this component include: (i) review and take into consideration previous relevant studies; (ii) assessment of the legal and regulatory framework related to auditing, oversight and control, including the Financial Administration and Audit Act; (iii) analysis of the institutional framework, including an assessment of the independence, timeliness and funding of governmental agencies in charge of auditing, oversight and control; (iv) assessment of the adequateness of Cabinet and parliamentary processes, for monitoring and review; (v) identification and analysis of non-Government oversight mechanisms; (vi) review of the human resources available in the agencies under study; (vii) assessment of the institutional incentives created by the legislation and organizational cultures that shape practices related to auditing, oversight and control systems and review of the institutional capacity to enforce compliance of the legal provisions and regulations; (viii) assessment of internal control mechanisms and methodology used (including internal audit) to ensure accountability and transparency, and to reduce opportunities for corruption/fraud; (ix) analysis of accounting/auditing standards, methodologies and monitoring/compliance mechanisms; (x) review of records and management information systems, procedures and practices; (xi) analysis of regulation and reporting practices of statutory corporations; and (xii) analysis of the degree of transparency and disclosure of information to the public in auditing, oversight and control systems.
- 3.7 Under this section, information on progress and objectives of reform efforts in procurement and the statistical service will be documented in order to have a comprehensive picture of the challenges and modernization efforts the government is undertaking. The action plan will not target procurement or statistical systems, given the ongoing efforts in these areas, but may include recommendations compatible and coordinated with these efforts.
- 3.8 Once the diagnosis is completed, an action plan will be defined in consultation with relevant stakeholders, under the guidance of the Government. The action plan should define priorities and sequencing for reform, and focus on a limited number of systems, consistent with the technical capacity and financial resources available to undertake reform efforts.

IV. COST AND FINANCING

- 4.1 The cost of the program is preliminary estimated at US\$500,000, of which the Bank would finance up to US\$450,000 of the costs on a non-reimbursable basis from the funds allocated to PRODEV. The Government of Barbados will contribute the equivalent of US\$50,000 as counterpart funds, which include the salaries and overhead of the PIU and other agencies assigned to the project.

BUDGET (US\$)			
	IDB	GOBA	TOTAL
1. Diagnosis, action plan and consultation/ dissemination	400,000	40,000	440,000
2. Administration and contingencies	50,000	10,000	60,000
TOTAL	450,000	50,000	500,000

V. EXECUTION

- 5.1 The technical execution of the program will be conducted by the Public Investment Unit of the Ministry of Economic Affairs and Development. Other agencies should get involved in the execution of the program, including at least the Ministry of Finance, the Public Sector Reform Unit of the Ministry of Civil Service, and the Auditor General Office in the areas of their respective competence. The Bank has discussed with the Government the feasibility of creating an inter-institutional technical committee to ensure coordination and be responsible for the general guidance of the program.
- 5.2 The most significant underlying rationale of conducting the PRODEV exercise is to support the national ownership of diagnosis and prescriptions by the country's authorities. This diagnosis study should be steered by the Government of Barbados in consultation with other key stakeholders. The aim is to build agreement on the results-based and ownership of any ensuing action program. There will be appropriate consultation with relevant partners in Barbados during the planning and preparation of this diagnosis study. In addition to Government and official agencies, broader participation of major stakeholders in the country is encouraged, which should include the business community, professional associations, unions, civil society, academics, and civil servants themselves. The selected consultants and counterpart staff will work actively with the Government towards this goal.
- 5.3 For the implementation of this TC it is expected to hire a single consultancy firm, preferably with experience in the English speaking Caribbean, through a public bidding process. The TOR for this consultancy has been already defined and agreed between the Bank and the Government.
- 5.4 The estimated timeframe for the execution of the program is 12 months from the moment the consultancy group is hired.

VI. MAJOR ISSUES

- 6.1 The main risks of the program include: (i) coordination among relevant agencies; (ii) consensus building difficulties; and (iii) capacity for implementing the action plan.
- 6.2 The program may be slowed down or become unfeasible due to lack of coordination among the various agencies involved. It is expected that the inter-institutional technical committee proposed in the execution arrangements will mitigate this potential problem.
- 6.3 In order to appraise the challenges involved in the creation of a result-based culture and corresponding tools in the public sector, it is desirable that both the civil service and private/civil society stakeholders are consulted on needed changes and expected results. This is a complex objective and requires commitment from all actors, which is not easy to achieve. The Government should put in place the means for such a consultation process to take place.
- 6.4 Once the action plan is defined the capacity of the public sector to implement it will be put to test. The action plan will include a training program designed to strengthen the capacity of the offices that will be in charge of its implementation.

VII. ACTION PLAN

- 7.1 The Government and the Bank has already agreed on the Terms of Reference for the consultancy that will be in charge of implementing this TC. It is expected that soon after this profile is approved, the Plan of Operations be presented to CRG and internal approval process.

VIII. ENVIRONMENTAL AND SOCIAL ASPECTS

- 8.1 Given the nature of the program involving institutional strengthening activities, no social or environmental issues are foreseen. Based on the afore-mentioned, and according to the CESI Safeguard Screening form, the operation has been classified as “C”.