

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/IDB
▪ TC Name:	Strengthening Country Fiduciary Systems Towards an Increased Use in Bank-Financed Operations
▪ TC Number:	RG-T4179
▪ Team Leader/Members:	GAYLE, SHIRLEY MAUD (VPC/FMP) Team Leader; MERCHAN PALADINES, VIANCA TATIANA (VPC/FMP) Alternate Team Leader; SALAZAR COTA, ADRIANA (VPC/FMP); SPRIETZER, DEBORAH (VPC/FMP); CORREA, TULIO (VPC/FMP); ARGUELLO, MARLENE ZORAIDA (VPC/FMP); ANDREA BERMUDEZ NAVAS (VPC/FMP); MARTIN-ALBO JIMENEZ, PATRICIA (VPC/FMP)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	29 Jul 2022
▪ Beneficiary:	26 IDB borrowing member countries
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$1,000,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Firms; Individuals
▪ Prepared by Unit:	VPC/FMP - Ops Fin Mgmt & Procurement Svc
▪ Unit of Disbursement Responsibility:	VPC/FMP - Ops Fin Mgmt & Procurement Svc
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Institutional capacity and rule of law

II. Objective and Justification

- 2.1 The objective of this TC is to continue supporting borrowing member countries in their efforts to strengthen public procurement and financial management systems to increase the capacity of their national institutions and improve service delivery and policy implementation, by: 1) supporting the adoption and implementation of international standards and/or narrowing the gaps with good practices; and 2) transferring knowledge and supporting government-to-government cooperation within the region to exchange good practices and lessons learned from other countries.
- 2.2 The UCS Strategy is a mandate of the Board approved in 2010 (GN-2538) that responds to the Bank's commitment to harmonization, the Paris Declaration on Aid Effectiveness, and the Accra Agenda for Action, which is aimed at building stronger partnerships, strengthening the impact of development efforts, and focusing on development results.
- 2.3 The revised Strategy (GN-2538-31) is fully aligned with the update of the Bank's Institutional Strategy based on 6 core principles: i) agreement with the countries with a vision of co-responsibility and graduality; ii) standardization of the overall process for strengthening and use amongst all fiduciary and non-fiduciary systems; iii) adoption of good practice and international standards; iv) active coordination with development

partners for resource mobilization; v) innovation and use of technology; and vi) focus on countries with less progress achieved.

- 2.4 The Bank, through the implementation of the Strategy has played a fundamental role in supporting LAC governments in the modernization of their fiduciary systems promoting the adoption of good practices and international standards with a particular emphasis on strengthening institutional capacity and the rule of law, supporting the region in its efforts to increase transparency and integrity. In the last decade, LAC Countries have made significant progress modernizing their fiduciary systems by increasing participation of suppliers, opening access to procurement opportunities, increasing competition, implementing electronic government procurement and budget transparency platforms, publishing diagnostics of public fiduciary systems and audit reports, implementing digital technology and Big Data to conduct audits and perform oversight of ministries and budget execution, increasing the overall use of emerging and disruptive technologies, implementing open data standards and open government, incorporating civil society and other watchdog organizations as part of the effort to improve levels of accountability and transparency. All of this has become increasingly important during a time that is quickly moving and changing, as the public wants more information and demands excellence, and especially during emergency situations such as the COVID-19 pandemic.
- 2.5 Last year, the results achieved included 22 fiduciary assessments in 12 countries and regional level, which contributed to updating information on financial management and procurement national systems, as well as 36 strengthening interventions in 13 member countries and regional level to support the modernization of fiduciary systems.

III. Description of Activities and Outputs

- 3.1 **Component I: Closing Gaps with International Standards and Good Practices.** component consists of capacity building activities, primarily in executing agencies, to support countries in fully or partially closing the gap with international standards and good practices and identifying and/or getting closer to a possible use of the country's fiduciary systems for Bank-financed operations.
- 3.2 **Component II: Knowledge Transfer between LAC Countries.** To strengthen procurement and financial management capacity in LAC governments and to promote good governance, the Bank will foster knowledge sharing, knowledge transfer and government-to-government cooperation between LAC countries
- 3.3 **Component III: Others.** Activities to support the execution and proper alignment of the activities with the expected results.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Closing Gaps with International Standards and Good Practices	US\$450,000.00	US\$0.00	US\$450,000.00
Knowledge Transfer between LAC Countries	US\$500,000.00	US\$0.00	US\$500,000.00
Others	US\$50,000.00	US\$0.00	US\$50,000.00
Total	US\$1,000,000.00	US\$0.00	US\$1,000,000.00

V. Executing Agency and Execution Structure

- 5.1 Executing Agency: The Bank will execute the operation and carry out all contracting-related activities, given the need for: i) a careful prioritization of interventions to

advance the Bank's use of country fiduciary systems, and ii) close coordination with the international development partners and the donor community. In addition, the Bank is best suited for executing this operation, given the limited size and scope of the individual interventions, primarily at the country level, and their connection to the Bank's loan portfolio and agreed-upon country strategies.

- 5.2 Executing Structure: Activities financed by this TC will be initiated by the countries and the FMP COF Fiduciary Specialists upon authorization from the Team Leader (TL). The FMP COF Fiduciary Specialists will manage and monitor the day-to-day operations, in close coordination with the TL and other interested parties. All activities and interventions will be closed once the TL approves the evaluation of the activity/intervention. Specifically, the following steps will be followed:
- (i) Upon receipt of the request from the intended beneficiary (government, Supreme Audit Institution, procurement agency, ministry, regional body, regulator, etc.) and agreement with the Country Representative, the FMP COF Fiduciary Specialist will complete a proposal form describing the proposed intervention or activity and any possible counterpart funding, and then submit it to the TL.
 - (ii) The TL will evaluate the eligibility of the proposed activity/intervention and determine the need for a peer reviewer. To decide whether or not to finance the intervention, the Team Leader will take into account the alignment with the Country Strategy and CPD as well as the eligibility criteria. There are four main criteria to determine the prioritization of activities: i) the need of updated information on country fiduciary systems, ii) the size of the Bank's active portfolio in the country, iii) the potential for reducing transaction costs, and iv) the level of development of the national procurement system, being the lesser-developed countries and the Caribbean the main focus of this TC.
 - (iii) a) If the intervention is equal to or less than US\$70,000, the TL will be allowed to approve the intervention; or b) If the intervention is greater than US\$70,000, the FMP Division Chief must approve the intervention.
 - (iv) Disbursement(s) will occur after the receipt of the invoice and required work product, in accordance with the applicable terms of reference, once it has been accepted by the FMP COF Fiduciary Specialist. Work products will be shared with IFD, as appropriate.
- The proposed approval structure is designed to provide a timely and flexible response to requests for small interventions, while guaranteeing their quality and relevance. Disbursements management will be based on the number of requests for activities and their corresponding contracts and Commitments. This will allow for accurate monitoring of the committed activities and funds. The execution of this TC will be monitored through monthly coordination meetings with the FMP Division Chief.

VI. Project Risks and Issues

- 6.1 identified risks related to unforeseen political developments together with the unexpected COVID-19 emergency remain in effect. Those risks may delay the overall project timing and sequencing. In addition, continuous changes in governmental institutions, bureaucracy and public sector timing have an impact on the consecution of projects; the lack of updated and quality information and the unclear ownership and accountability for risks at country level influence the effectiveness of decision-making and response to national and regional needs.

VII. Environmental and Social Classification

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