

TC Document

I. Basic Information for TC

Country/Region:	Guyana
TC Name:	Definition of Government's national Priorities and Delivery Management Model for the Public-Sector Investment Program PSIP
TC Number:	GY-T1144
Team Leader/Members:	Edgardo Mosqueira, Team Leader; Mariko Russell, Alternate Team Leader; Angela Reyes, Giovanna Mahfouz, Juan Cruz Vieyra (IFD/ICS); Clevern Liddell (CGY/CCB); and Louis-François Chrétien (LEG/SGO)
Indicate if: Operational Support, Client Support, or Research & Dissemination.	Client Support
If Operational Support TC, give number and name of Operation Supported by the TC:	N/A
Date of TC Abstract:	November 8, 2017
Beneficiary (countries or entities which are the recipient of the technical assistance):	Cooperative Republic of Guyana
Executing Agency and contact name (Organization or entity responsible for executing the TC Program) {If Bank: Contracting entity} {If the same as Beneficiary, please indicate}	Inter-American Development Bank (IDB) through the Innovation in Citizen Services Division (IFD/ICS)
IDB Funding Requested:	US\$700,520
Donors providing funding:	OC Strategic Development Program for Countries (CTY)
Local counterpart funding, if any:	N/A
Disbursement period (which includes execution period):	18 months (Includes execution period)
Required start date:	January 2018
Types of consultants (firm or individual consultants):	Consulting Firms and Individual Consultants
Prepared by Unit:	Innovation in Citizen Services Division (IFD/ICS)
Unit of Disbursement Responsibility:	Institutions for Development (IFD)
Included in Country Strategy (y/n);	Yes
TC included in CPD (y/n):	No
Alignment to the Update to the Institutional Strategy 2010-2020:	Institutional capacity and rule of law

II. Objectives and Justification of the TC

- 2.1 Guyana's 2017-2021 Country Strategy has established that the lack of adequate institutional framework is the most prominent issue in its development agenda. The current challenges regarding poor delivery of services to the Guyanese population derive from inefficient institutions, cumbersome processes and lack of definition of the government's priorities and the objectives that it seeks to achieve. Solving these problems requires a modern national strategy, planning as well as delivery framework.

For this reason, strengthening the Center of Government is crucial to tackle these issues.

- 2.2 There has been increasing interest from the government of Guyana in strengthening the planning, monitoring, and evaluation capabilities, especially in the scope of the Public-Sector Investment Program (PSIP), which was originated to play a crucial role in easing development bottlenecks, raising productivity, helping integrate remote regions, and promoting diversification and job creation.
- 2.3 The PSIP accounted for approximately 8.3% of GDP in 2017, was equivalent to 28% of total national expenditure, and financing by multilateral and other external sources represented 62% of the program. Despite its high relevance for the country's economy, the PSIP has failed to achieve significant development results because of the low rate of execution of the available resources. Currently, the PSIP's annual implementation rate is as low as 20 percent, according to the Ministry of Finance.
- 2.4 Furthermore, PSIP projects have an average of 13-month delay from the time the loan contract is signed to the point when the project is ready to be implemented. These delays are estimated to have a cost of around US\$5 million per year in direct costs, including interest rates, cost overrun, and operational costs, and US\$10 million in opportunity costs.¹
- 2.5 The low rate of execution of resources affects not only current economic growth, but exerts a cost on future growth as a result of poor portfolio performance; the allocation of concessional financing and concessional resources depends on current performance, and low performance leads to reductions in interest rate subsidies.
- 2.6 To further increase the understanding of the problem, the bottlenecks, the main causes of the delays and the limitations of the PSIP, the Bank carried out a thorough diagnosis of the current situation of PISP of Guyana (GY-T1140). The present TC will build upon the findings, recommendations and action plans obtained in the diagnosis stage, which identified the following issues ²:
 - i) **Lack of definition of government's priorities:** The government currently has no clear definition on what its priorities are, what results it aims to produce or what impact public spending should have on citizens' lives. The PSIP goals are merely related to spending, but have not been articulated by the central government in terms of outcomes and impacts for citizens. Along the same line, there is a lack of concrete, measurable goals; there are no defined targets that guide spending, no clear sense of direction and no definition of what a successful execution of the

¹ Refer to Guyana PSIP diagnosis report "Understanding Guyana's Public-Sector Investment Program (PSIP)" by Delivery Associates for the assumptions used for the calculation of the direct cost as well as the opportunity cost.

² This section is based in Delivery Associates "Understanding Guyana's Public-Sector Investment Program (PSIP)" diagnostic report.

PSIP is the lack of definition of specific priorities can be linked to several factors. On one side, Guyana's government has currently no practice of pluriannual planning, and although it produces an annual "budget speech" that establishes the plans for the following year, there is no prioritization of the actions or expenditures. In addition, there is no coordination between ministries, each producing its own plans but with no link to a general government plan. Not having clear goals and targets leads to inefficient use of resources at all levels of government. This is evident in the PSIP, where projects enter the pipeline in a chronological manner, regardless of their impact, size or value. For example, in big infrastructure projects being blocked and significantly delayed by small purchases, as there is no established mechanism to prioritize the processes. Having clear priorities and a concrete sense of direction is therefore one of the most crucial building blocks for an effective delivery management model for the PSIP.

- ii) **Complex public procurement processes:** While the government has made efforts to simplify processes, there are multiple bottlenecks that create inefficiencies along the PSIP's procurement chain. These complex procurement processes are the main cause of the delays in the PSIP. The major sources of delays come once the bids have been submitted by the interested firms. The National Procurement and Tender Administration Board (NPTAB) appoints external evaluators to review these bids. The assessment of the bids by the evaluators often takes several weeks or longer, leading to significant delays in the procurement process³. In addition, once recommendations are made, the lack of communication and low responsiveness to inquiries and claims, as well as no-objection requirements contribute to the inefficiencies of the system and cause additional delays. Current procurement rules place an excessive burden over the NPTAB and the Cabinet: the latter is required to review and approve every project that exceeds US\$ 75,000. This process takes an average of 3.8 months from the moment the evaluators make their recommendations to the approval and signature of the contract by suppliers. Although a subcommittee is in place, there is high reliance on Cabinet for unblocking key tender processes, adding to the delays. As mentioned above, the absence of any type of prioritization of the projects that go to the NPTAB and the Cabinet, combined with the low Cabinet approval threshold add to the inefficiencies in the PSIP chain.
- iii) **Serious capacity constraints: Some of the PSIP:** main choke points are due to capacity limitations, regarding the quantity of people and the quality of skills at all the levels of the PSIP chain. At the Project Execution Units (PEUs), which are teams constituted to manage and implement specific projects within line ministries, there is a shortage of qualified personnel, and poor procurement planning results in projects not being able to start on time due to the delay in hiring the necessary staff to perform the core functions (Project Manager, Procurement Specialist, Finance Specialist, M&E Specialist). The diagnostic report found that it takes approximately 6.5 months between the time when the loan contract is signed to

³ The diagnostic report found that evaluators take around 1.5 months to issue their recommendations after being appointed by the NPTAB.

when the eligibility conditions are fulfilled and the team for the project has been formed, and 2 months to produce and advertise the tender process. The NPTAB is severely understaffed and unable to cope with demand, and evaluators appointed to review bids lack the appropriate technical expertise and the incentives to deliver the evaluations in a timely manner, partially explaining the delays mentioned above. Lastly, private sector contractors lack skills and technology to perform at the necessary speed and quality standard. The diagnostic report found that contracts can take between 6 and 36 months to be implemented and delivered, and that disconnects between tender documents and reality on the ground, as well as capacity constraints of contractors slow down implementation, causing delays of an additional 4.6 months as measured by contract extensions.

- iv) **Multiplicity of similar functions that hinder PSIP implementation and lead to poor utilization of existing capacity:** There is a costly duplication of functions and processes that add complexity to the system and lead to delays. The current structure requires having separate procurement, finance, project management and M&E specialists in decentralized PEUs at every line ministry, which increases costs, reduces quality and leads to execution delays. In addition, there are high wage discrepancies between people performing similar functions at PEUs and ministry teams, often demotivating personnel.
- v) **Inexistence of accountability mechanisms and formal routines:** The PSIP does not have mechanisms to hold people accountable for results at any level of the chain, and current focus is set on compliance rather than on performance. Rewards and consequences are not in place for over and underperformers, and there are no consequences for delays. In addition, there are no routines to promote interinstitutional coordination, sharing of information and/or data. There is little follow up or monitoring of performance, limited efforts for routinely tracking and analyzing process delays or outcome indicators and there is no mechanism to determine corrective actions when a bottleneck has been identified.

2.7 The objective of this TC is to contribute to the improvement of services delivered to citizens through measures aimed at strengthening the efficacy and efficiency of the public-sector investment management, which will accelerate the execution and improve the quality of public investment projects. To do this, it seeks as a first step to facilitate a methodology to define the government's national priorities, articulating them in terms of their impact on Guyanese citizens. It aims to support the government in defining a set of measurable, concrete goals and targets to assess the progress in such key priority areas. The concrete and clear definition of the government's priorities will be the first step in the effort to enhance the management of Guyana's Public-Sector Investment Program (PSIP), leading to a faster, more transparent and more effective execution of investment projects, with emphasis on those financed by external resources. The second step will seek to strengthen the PSIP chain through the design and implementation of a delivery management model, which will streamline and reduce the bottlenecks in the procurement and execution processes and ensure that the targets related to the key priority areas are met.

- 2.8 The proposed TC is closely aligned with the Cooperative Republic of Guyana's country strategy 2017-2021, in particular with the overarching objective of strengthening public institutions of Guyana. It is also aligned with the Bank's Updated Institutional Strategy 2010- 2020 (AB-3008), with the cross-sector objective of institutional development, through its objective of strengthening the capacity of the state to ensuring the efficiency, effectiveness, and transparency of institutions. Finally, the TC incorporates the lessons learned and management techniques developed under the Bank's Center of Government agenda (RG-T2258, RG-T2719) which supported fourteen governments in Latin America and the Caribbean, as well as other country specific interventions in The Bahamas (BH-L1035), Costa Rica (CR-T1135), Paraguay (PR-T1157), and Peru (PE-L1222 and PE-T1362), among others.

III. Description of Activities/components

- 3.1 **Component 1: Definition of the government's priorities, concrete goals and targets.** This component will finance expert advisory for the elaboration of a methodology for defining the government of Guyana's national priorities as well as actual establishment of priorities. The methodology should determine the mechanism through which the priorities will be assessed and selected (citizen consultation, top-down assessment from line ministries and center of government, gap analysis, and/or others). In addition, it should include the specification of goals, indicators and targets to measure progress in the selected priorities, the definition of the data sources which will be used for this matter and the follow-up, monitoring and evaluation mechanism that such priorities should be articulated into. The methodological document will provide the government the mechanisms to define their current priorities, and should serve as a tool to update priorities for future administrations. Subsequently, following the recommendations made in the methodology, support the government in carrying out the necessary consultations, workshops or any other activities to establish national priorities and indicators to measure the progress.
- 3.2 **Component 2: Implementation of a Delivery Management Model** for an effective execution of the PSIP. This component will finance the expert support for the design and implementation of a delivery management model for Guyana's PSIP to be located at the center of government, building upon the recommendations and action plan designed in the diagnosis stage and using the priorities defined in component 1 as a building block. The expert advice should include: (a) recommendation for the organizational structure and setup of the unit in terms of staff profiles and skills, location of the unit, among others; (b) customized performance management model that defines responsibilities, targets, indicators, monitoring and follow-up of progress in the government's priorities; (c) methodology to streamline the procurement process and the delivery chain of the PSIP; (d) strategies to increase capacity and improve the utilization of existing capacity for both the PEUs and the evaluators appointed by the NPTAB; (e) methodology and implementation of routines to drive delivery; and

(f) application of the delivery model to fast-track at least 2 of the priorities defined in Component 1.

- 3.3 **Component 3: Initial functioning costs for the delivery management unit.** In order to guarantee the timely and effective functioning of the unit, it is necessary to have a core team on board early on in the process, including the stage of defining the government's priorities. Therefore, this component will finance hiring consultants for the delivery management unit for up to a year⁴, who will work in coordination with the consulting firm and the government and will guarantee that the knowledge from the early stages of the Unit is transferred once the government is ready to hire the permanent staff. These positions will include: (a) the Lead consultant of the Unit; and (b) up to three priority managers, each of which will be responsible for managing one of the priority areas defined in Component 1. The consultants will be hired according to the Bank's policies, will not be performing staff-like functions and will have clearly defined and specific deliverables.

IV. Budget

- 4.1 This TC is for the total of US\$700,520 financed with the resources from the OC Strategic Development Program for Countries (CTY).

Indicative Budget (US\$)

Activity /Component	Description	IDB (CTY)	Counterpart Funding	Total Funding
Component 1	Define the government's priorities, concrete goals and targets.	125,000	0	125,000
Component 2	Implementation of a Delivery Management Model for an effective execution of the PSIP	350,000	0	350,000
Component 3	Initial functioning costs for the delivery management unit	225,520	0	225,520
Total		\$700,520	\$0	\$700,520

- 4.2 **Supervision, Monitoring and evaluation reports.** The TC will be supervised by a sectoral specialist (based in Washington D.C.) and a sectoral specialist based in the Country Office Guyana who is the alternate team leader of this TC. The TC will be monitored and evaluated according to the requirements of the Bank and through the Results Matrix ([Annex II](#)).

V. Executing agency and execution structure

- 5.1 At the request of the Government of Guyana, the executing agency will be the Bank through the Innovation in Citizen Services Division (IFD/ICS). Bank execution is

⁴ It is planned that subsequently the government will take over this unit as its own once knowledge transfer is completed.

justified since it will allow a more dynamic implementation of the activities, considering the main objective of the technical cooperation is enhance project implementation ([Annex I](#)). It also prevents giving added burden to the government related to project execution. The lengthy procurement processes within the government, the limited knowledge of Bank's procurement rules and the limited technical capacity at the Ministry of the Presidency would jeopardize the achievement of the objectives of the TC and the final outcomes it aims to contribute to.

- 5.2 The TC will be implemented in coordination with the Ministry of the Presidency. A Consulting Firm will be engaged to carry out the activities in coordination with IFD/ICS, which has extensive experience and knowledge in technical areas stipulated in this document.
- 5.3 IFD/ICS will contract consulting services in accordance with applicable Bank procurement policies and procedures.

VI. Project Risks and issues

- 6.1 The main risks are: (i) resistance from some line ministries to the implementation of a management model in the center of government out of fears of losing control of resources and power over decisions (ii) lack of collaboration by the different project execution units within line ministries, which are in charge of the implementation of externally financed projects; (iii) weak follow up of recommendations identified in the exercise by the Government of Guyana. The TC will mitigate these risks by: (i) ensuring a methodology that promotes wide participation by stakeholders, listening to issues as perceived by the front line; and (ii) frequent on-the-ground presence to adjust the model as needed, considering the current situation in Guyana.

VII. Exceptions to Bank policy

- 7.1 This TC does not address any exceptions to Bank policy.

VIII. VII. Environmental and Social Strategy

- 8.1 There are no environmental or social risks associated with the activities outlined in this operation; therefore, its environmental classification is "C", according to the Environment and Safeguard Compliance Policy (OP-703), (See Safeguard Policy Filter Report ([SPF](#)) and Safeguard Screening Form ([SSF](#)).

Required Annexes:

- Annex I: [Government Requests](#)
- Annex II: [Results Matrix](#)
- Annex III: [Terms of Reference](#)
- Annex IV: [Procurement Plan](#)

**DEFINITION OF GOVERNMENT'S NATIONAL PRIORITIES AND DELIVERY MANAGEMENT MODEL
FOR THE PUBLIC-SECTOR INVESTMENT PROGRAM (PSIP)**

GY-T1144

CERTIFICATION

I hereby certify that this operation was approved for financing under the **Ordinary Capital Strategic Development Program for Countries (CTY)** through a communication dated November 8, 2017 and signed by Nadine Schiavi (ORP/GCM). Also, I certify that resources from said fund are available for up to **US\$700,520** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project until December 13, 2017. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, represent a risk that will not be absorbed by the Fund.

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Approved:	<hr style="border: none; border-top: 1px solid black; margin-bottom: 5px;"/> <div>Original Signed</div> <div>Carlos Santiso</div> <div>Division Chief</div> <div>Institutional Capacity of State Division</div> <div>IFD/ICS</div>	<hr style="border: none; border-top: 1px solid black; margin-bottom: 5px;"/> <div>12/04/17</div> <div>Date</div>
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