



MEMORANDUM

IDBDocs #36524862

File Classification: PO-TT-T1018-Anl

ICF/ICS/179/2011

Date: *Dec 2nd 2011*

TO: Mr. Luis Alberto Moreno
President

FROM: Mr. Santiago S. Levy
Vice President for Sectors and Knowledge

SUBJECT: TRINIDAD AND TOBAGO. Technical Support for the Design and Implementation of the Public Financial Management Reform (PFM) Program. (TT-T1018). Contribution up to the amount of US\$1.5 million from the resources of the Development Effectiveness Program Account (DEPA) -Sub-account B-PRODEV. Approval.

Attached please find for your consideration and corresponding approval, the Knowledge and Capacity Building Products (KCP) Proposal for the financing of the referenced operation. This document was prepared by the Project Team bearing in mind the guidelines and procedures established for preparing and processing nonreimbursable Technical Cooperations operations.

In accordance with the provisions set forth in the "Proposal for a new framework for technical cooperation. Revised version" (document GN-2469-2) and pursuant to Resolution DE-44/08, the President is authorized to approve nonreimbursable Technical Cooperation operations that do not exceed the amount of US\$1,500,000, financed under the above referred framework.

Accordingly, taking into consideration that the amount for the above-captioned operation does not exceed US\$1,500,000, it is hereby recommended that the referenced operation be approved.

Mr. Jorge Von Horoch (ext. 1824) will be available to answer any additional questions.

Approved: _____ *(Original Signed)* _____ Date: *(Dec 2nd 2011)* _____
Luis Alberto Moreno, President

Concur: _____ *(Original Signed)* _____ Date: _____ *(Nov 28th 2011)* _____
Carlos Santiso
Division Chief, ICF/ICS

Concur: _____ *(Original Signed)* _____ Date: _____ *(Nov 29th 2011)* _____
Diego Buchara, LEG/SGO

Concur: _____ *(Original Signed)* _____ Date: _____ *(Nov 29th 2011)* _____
Ana Rodriguez-Ortiz
Sector Manager, ICF/ICF

Concur: _____ *(Original Signed)* _____ Date: _____ *(Nov 30th 2011)* _____
VPS/ADV

Concur: _____ *(Original Signed)* _____ Date: _____ *(Dec 12th 2011)* _____
PRE/PCY



Knowledge and Capacity Building Products (KCP) Proposal

Policy and Capacity Development

I. General Information

KCP Title:

Technical Support for the Design and Implementation of the Public Financial Management Reform (PFM) Program

OPUS Number:

TT-T1018

Date of Proposal:

9/14/2011

Linked to project:**Team Leader / Unit:**

VON HOROCH, JORGE – ICF/ICS

Peer Reviewer 1:

DAVIDSEN, ELIZABETH BOGGS

Peer Reviewer 2:

GIORDANO, PAOLO

Joint Proposal:

CTT, VPC/PDP

Proposed amount, without counterpart in USD equivalent (enter whole number only): USD 1.5 million

Must match total of budget table on section VI, and of OPUS

Proposed amount including counterpart (if applicable) in USD equivalent:

USD 1.8 million

Proposed Fund:

PRODEV Account B

Unit of Technical Responsibility:

ICF/ICS

Unit of Disbursement Responsibility:

CTT

Execution:

Ministry of Finance

Letters of Request available (or equivalent)

Yes

Doc# (IDBdocs):

[36388003](#)

Non-objection available:

Yes

Doc# (IDBdocs):

[36413554](#)

Execution period: 24 months

Disbursement period: 32 months

Required Start Date: 02/01/2012

Executing Agency: Ministry of Finance (MOF). The MOF will establish a Public Financial Management Modernization Unit (PFMMU), to manage the project development activities associated with the implementation of a Public Financial Management (PFM) reform strategy and along with a new financial management system. The MOF will have overall responsibility for the implementation, management and financial reporting of the KCP. The Ministry of Planning will be responsible for the execution of Component 4 *Roll-out of the MTAP for Strengthening Monitoring and Assessment Capabilities*, and as such will act as sub-executor for the component.

Executing Agency description and capacity:

The functions of the MOF are detailed in the Exchequer and Audit Act (EAA). The MOF is accountable to the Cabinet and Parliament for ensuring compliance with its responsibilities under the EAA. The MOF is empowered to develop the overall macroeconomic and fiscal framework, co-ordinate intergovernmental fiscal relations and the budget preparation process, manage the implementation of a budget, promote and enforce revenue, as well as manage the government's assets and liability. It also plays a financial oversight role over other organs of state in all spheres of government.

Country of Origin of Executing Agency: TRINIDAD AND TOBAGO

Contact in the Executing Agency: MICHAEL MENDEZ, Deputy Permanent Secretary, Ministry of Finance.

E-mail address: MendezM@gov.tt

Beneficiary Countries:

TRINIDAD AND TOBAGO

Beneficiary entity: The Ministries of Finance and Planning & the Economy

Sector: REFORM / MODERNIZATION OF THE STATE

II. KCP Type

Origination

Originated in client: KCP is the result of clients' demands.

Scope

Long term purpose:

The KCP will support a number of reforms that involve an organizational culture change. This organizational culture change process will surpass the execution period of this KCP.

III. Alignment of the KCP proposal with IDB's Institutional Priorities (GCI9).

3. Institutions for Growth and Social Welfare
Fiscal Efficiency and sustainability

3.1 Explain how the knowledge produced with this KCP will be used (policy advice, institutional strengthening, input for programming and strategy, pipeline development, input for other KCPs):

After a decade of economic growth and fiscal surpluses, Trinidad & Tobago's economy contracted in 2009 under pressures primarily associated with the dramatic decline in international energy prices, the global recession impact on the non-energy sector and cutbacks in the level of public expenditure which were triggered by revenue declines. The Central Government fiscal account registered deficits of about 5.6% of GDP in 2009 and 3% of GDP in 2010. Public sector debt levels increased from around 25% of GDP in 2008 to an estimated 39.8% in 2010. While a modest recovery, initiated in 2010, is expected to continue into 2011, medium term projections point to persistence of fiscal challenges with a deficit of about 7% of GDP projected for the current fiscal period. In addition, international competitive pressures are also intensifying with an associated urgency to improve public sector efficiency and relevance and the effectiveness of service delivery. To address these challenges, the Government's medium term strategy focuses on diversification of the economy, re-prioritization of expenditure and refocusing of the Public Sector Investment Program (PSIP). In parallel with the implementation of this strategy, the Government of Trinidad and Tobago (GoRTT) is committed to a medium-term agenda of Public Financial Management (PFM) institutional reforms. The reform program is being designed with Bank support within the framework of a programmatic loan series comprising of three policy based loans, the first of which (TT-L1019) was approved and disbursed in December 2010. The loan agreement includes a policy matrix which specifies the following key targets of the reform program: (i) the formal incorporation of medium term economic forecasting into the annual budgeting process; (ii) the formal approval of a Monitoring and Evaluation System by 2012 and adoption by the social sector ministries by 2013; (iii) a budget reform program aimed at strengthening the alignment between expenditure and policy and shifting the focus of the budget to a medium-term horizon; (iv) development and deployment of an Integrated Financial Management Information System (IFMIS); (v) modernization of audit management systems and processes; and (vi) the introduction of new public procurement legislation and strengthened institutional arrangements. This KCP proposal supports the achievement of targets (i) to (iv) above. The Bank is providing support for the achievement of targets (v) and (vi) through two parallel technical cooperations – TT-T1023: Program to Support the Implementation of a New Procurement Framework (approved in April 2011) and TT-T1024: Institutional Strengthening of the Auditor General's Department (approved in June 2011).

IV. OBJECTIVES, EXPECTED RESULTS AND ACTIVITIES (Maximum 4 pages)

4.1 Describe the challenge that this KCP addresses (e.g. policy, institutional, technical):

In regards to the institutional arrangements for the PFM, challenges lie in the regulatory framework, the MOF's divisional organization structure, and in the policies, procedures and practices of the budgeting system.

The regulatory framework: There are no specific legal requirements for the preparation of long or medium term national development plans, investment programming, performance management or the linkages between expenditure and the attainment of national policy objectives. The existing regulatory framework does not facilitate maximization of the potential benefits of e-government investments with one example being the absence of legislation to facilitate electronic payment for government services, the use of electronic signatures and other related issues.

The MOF's divisional organization structure: It largely reflects the individual areas of budget preparation and administration, revenue collection, accounting, management of banking operations and debt management. Lead responsibility for national development planning is vested in the Ministry of Planning & the Economy. Line Ministries and spending agencies are responsible for management of their individual budget cycles, preparation, financial reporting and implementation, and monitoring of sector policies, plans and investment projects. The Cabinet which provides overall strategic direction is responsible for direction setting, approval of national and sector plans, and the annual budget. The Finance and General Purposes Committee is a standing sub-committee of the Cabinet which reviews and makes recommendations on submissions with financial implications. Parliament exercises its oversight responsibility by approval of relevant legislation and the exercise of its investigative powers. The Auditor General's Department (AGD) is an independent entity with constitutionally vested powers to exercise external oversight over public spending. The AGD reports directly to Parliament.

The policies, procedures and practices: They reflect the requirements of the line item budgeting system in place with a heavy emphasis on accounting for inputs and activities without any clear indication of the outputs to be produced or the eventual results that are being sought. Reporting and monitoring systems focus mainly on adherence to prescribed procedures and the rate of expenditure of resources as opposed to the tracking of progress towards achievement of outputs and outcomes. At each level of the organizational structure, policies and procedures are not geared towards the generation and strategic use of performance information at either the budget preparation or management stages. Incentives for the adoption of collaborative approaches to achieve objectives are generally weak and mainly non-existent.

The good performance of fairly strong administrative and procedural arrangements in the area of aggregate fiscal discipline masks significant inefficiencies in the existing budget administration arrangements which facilitate almost routine overruns on individual public investment projects. Furthermore, the fiscal implications of sector strategies are not fully factored into their preparation due mainly to the absence of formal requirements for the preparation of medium term macroeconomic projections as part of the fiscal policy formulation process. In addition, the linkages to sector strategies provided by the Public Sector Investment Program (PSIP) are mainly of a qualitative nature. The constituent projects are not developed within a fiscal frame and project proposals do not reflect the recurrent cost and debt implications. In recent past there have been some encouraging moves towards developing an in-house capacity to prepare medium term macroeconomic forecasts and strengthening the quality of sector strategies by the establishment of a deadline and submission format. These practices need to be consolidated by formalizing the arrangements for the incorporation of a medium term forecast into the annual budget preparation process and by the introduction of formal performance based criteria for the review, approval and monitoring of sector plans.

Finally, there are no formal arrangements for technical review of investment project proposals prior to their submission for Cabinet approval. The focus of the approval process is on affordability and availability of funding with little apparent emphasis on both the feasibility and sustainability of the proposed projects and their linkages to policy and strategic direction.

4.2 Describe lessons learned from previous similar KCP:

With assistance provided by the IDB under PRODEV, the Ministry of Planning & the Economy prepared a Medium Term Action Plan (MTAP) for developing monitoring and evaluation capacity in the public sector. This action plan, which was approved by Cabinet in September 2010, vests the Ministry of Planning & the Economy with responsibility for :

- i. Coordinating the implementation of the national policy and strategic plans;
- ii. Establishing a reporting framework against the national policy of the Government and Ministries' Strategic Plans;

- iii. Producing an Annual Report on the progress of government policies, programmes and projects in accordance with agreed targets and performance measures; and
- iv. Developing an Information Technology (IT) System to track performance data and outcomes.

Collectively, while these initiatives have highlighted some of the salient issues affecting the PFM system, their impact has been limited by, inter alia, the absence of: (i) a formal mandate to proceed with the PFM reform program; and (ii) clearly defined project delivery structures, support systems and time frames.

In October 2010, as part of its preparation for entering the policy based loan arrangement with the IDB, the MOF obtained a formal Cabinet mandate to proceed with a reform agenda and is in the process of establishing the required project delivery structures.

With the policy direction mandate in place, the GoRTT is now poised to focus on: (i) the strengthening of the operational links between the planning and budgeting processes by building on the technical work completed under PRODEV A; (ii) the establishment of specific institutional mechanisms to support the roll-out of the monitoring and evaluation system; (iii) the designing and initiating of a work program to facilitate the transition to a results based management system; and, (iv) the documenting of the system's development needs and architecture of an integrated information system that could support the strategic and operational needs of the PFM reform program.

KCP relationship with the Bank Strategy for Trinidad and Tobago:

The last approved Country Strategy with Trinidad and Tobago (GN-2335) covered the period 2004-07 and was structured around three development pillars – (i) promoting private sector development to increase economic diversification; (ii) promoting public sector modernization to improve efficiency and effectiveness and upgrade capacity; and (iii) promoting social development by improving social public services. The focus on these areas was maintained in the updated strategy document (GN-2477) which was approved in 2008. The interventions being supported by the KCP are directly aligned with both the public sector modernization and social development pillars of the Bank's strategy with the country. Specifically, the KCP complements the public sector modernization objectives that are being supported by two of the loan operations in the Bank's current loan portfolio (LO: 1523-OC/TT and LO: 1808-OC/TT). In addition, it will be implemented in parallel with the recently approved operational inputs which focus on procurement reform and the strengthening of audit management systems. The KCP will also provide continuity to the stage setting interventions in building monitoring and evaluation capacity that were supported with resources provided under the PRODEV A account. Finally, the institutional development interventions being supported by the KCP respond directly to issues that are under active discussion in the ongoing policy dialogue with the authorities and are supportive of the GoRTT's medium term economic development strategy which focuses on economic diversification, re-prioritization of expenditure and refocusing of the Public Sector Investment Program (PSIP).

State the KCP objective: The objectives of the program are: (i) to provide capacity building to the GoRTT in its efforts to improve the efficiency of public expenditure; and (ii) to promote a more clear and transparent alignment between resource allocation and the pursuit of the Government's main policy goals. In pursuit of this objective, the KCP will provide technical inputs for the completion of all preparatory work required to support the design and implementation of: (i) the results based management system for the public sector; (ii) the IFMIS; and (iii) a complementary change management, consensus building and capacity development program. Building on diagnostic work completed under PRODEV A, the project will also support the implementation of the Medium Term Action Plan for building assessment and evaluation capability.

4.3 State the KCP expected results:

The main expected results of this KCP are to:

- a. Enhance capacity for public expenditure management; and
- b. Improve alignment between resource allocation and the Government's main policy goals.

Provide a description of the main outputs and related activities expected to be carried out: The main products and activities of this KCP will be developed in the following four components:

Component 1 – Preparation of a Public Financial Management (PFM) Reform Strategy (US\$72,100). This component will provide: (i) a framework for clarifying system development needs and prioritizing problems to be resolved in each functional area; (ii) a

framework for decision making on the scale of the program and on the timing and sequencing of program components; (iii) information required for early assessment of the change management implications of the proposed PFM reform program; (iv) an assessment of the levels of investments in infrastructure and human resources development; and (v) an assessment of the project management requirements, risks and operating implications of the strategy.

Main output: Public Financial Management (PFM) Reform Strategy prepared.

Component 2 –Support for the Implementation of the PFM Reform Program (US\$1,002,800): This component will support the detailed design and implementation of the core reform actions to be undertaken as part of the PFM reform strategy approved by Cabinet. This support will be organized under two subcomponents.

Sub-component 1 – Budget Modernization. This subcomponent will support the Budget Division with the conceptualization and design of the budget modernization program.

Related activities: (i) completion of a detailed diagnostic on budgetary systems, procedures and practices; (ii) preparation of recommendations and an action plan for transitioning to a result-based budgeting system; (iii) provision of formal training and on-site support to the Budget Division staff; (iv) support the MOF's Economic Management Division to incorporate medium term macroeconomic forecasts in the budget process; and (v) development of a new Chart of Accounts to facilitate result-based budgeting.

Main outputs: (i) a Budget Modernization program prepared ; and (ii) a training program for middle-management staff designed and implemented.

Subcomponent 2 – Integrated Financial Management Information System (IFMIS). This subcomponent will provide support for the completion of all preparatory technical work required to inform the investment and procurement decisions for the installation and commissioning of the proposed IFMIS.

Related activities: (i) systems analysis, including task and process flow descriptions, (ii) needs analysis and functional specifications preparation; (iii) system design recommendations; (iv) preparation of requests for System Development Proposals (SDP); (v) review and analysis of the SDP; (vi) Human Resource capacity assessment; (vii) assessment of the existing computing infrastructure and (viii) assessment of the regulatory framework and identification of legislative amendments required to support implementation of technical and management solutions.

Expected output: (i) Requirements for a new IFMIS prepared.

Component 3 - Change Management, Consensus Building and Capacity Development (US\$158,500). This component will support the establishment of the change management, consensus building, and capacity development systems required to complement implementation of the overall public expenditure management program. Activities will be organized under two subcomponents:

Subcomponent 1 – Change Management and Consensus Building. This subcomponent will involve the design of a structured and properly resourced set of change management interventions required to support and complement the reform program. A change management plan will be developed. The plan will address: (i) business process improvement; (ii) organization restructuring; and (iii) modifications to accountability and reporting arrangements; and (iv) interface between the PFM reform agenda and other related ongoing or planned initiatives in the public sector.

Related activities: (i) analysis of the change management implications of business process improvement; (ii) analysis of organization restructuring; (iii) propose modifications to improve accountability and reporting arrangements; (iv) provide specific recommendations for any complementary changes to the regulatory framework and organization structure that may be necessary; (v) prepare the sequencing of change management interventions and responsibility allocation arrangements for the implementation of the change management plan; (vi) carry out a consensus building process among relevant stakeholders for the proposed modernization program and the definition of roles and responsibilities of each participating government agency; and (vii) establish communication systems to support ongoing interaction with internal and external stakeholders on the progress of the reform program.

Expected output: (i) Change Management Plan and consensus building strategy prepared.

Subcomponent 2 – Capacity Development: This subcomponent will address the capacity building needs for the design, implementation and maintenance of the budget modernization and IFMIS systems.

Related activities: (i) assessment of the capacity building needs at both the individual and institutional levels; (ii) design of a costed, time-bound capacity development plan and implementation strategy; (iii) initial round of training activities designed to acquaint relevant levels of staff with the basic principles and operational implications of the proposed budget and information systems modernization programs; (iv) travel and logistical costs for participation of at least five individuals on attachments to foreign public sector organizations that have successfully undertaken reform programs with similar objectives; and (v) presentation of a series of seminars to high level officials.

Expected outputs: (i) capacity development plan and implementation strategy prepared; (ii) five high-level introductory seminars designed and delivered to senior officials; (iii) five basic skill development programs delivered to middle management staff; and (iv) external training (internship) completed by key MOF staff.

Component 4 – Roll-out of the MTAP for Strengthening Monitoring and Assessment Capabilities (US \$168,800): This component will support the National Transformation Unit of the Ministry of Planning and the Economy (MOPE) with the implementation of the MTAP for building assessment and evaluation capability. Includes provisions for building public sector capacity in monitoring and evaluation. The focus of the support provided will be on developing the infrastructure to support the embedding of the monitoring and evaluation function in the public service.

Related activities: (i) development of system wide evaluation policy and standards; (ii) support the establishment of evaluation units within line ministries; (iii) design of agency-specific performance frameworks; (iv) definition of indicators for use in design and monitoring of individual programs/projects; (v) preparation of desk manual to guide the preparation of program evaluations at the sectoral and national levels; and (vi) recommendations and roll-out plan for the establishment of evaluation units at individual line ministries.

Main output: (i) performance framework templates prepared.

Identify the main audience or expected users of knowledge generated or disseminated by this KCP

The Ministry of Finance , the Ministry of Planning and the Economy, line ministries, the Parliament and the public.

Additional technical information

If necessary, in an appendix please provide further technical details that you consider relevant to evaluate the technical quality of this KCP. Appendix Doc#(IDBDocs):

KCPs RESULTS FRAMEWORK. Main Outcomes and Outputs.

4.4 Results Matrix: Please, in the first column fill in each outcome indicator with the relevant outputs. You can use the table of indicators here attached.

Results Matrix

OBJECTIVES: The program's objectives are: (i) to provide capacity building to the GoRTT's in its efforts to improve the efficiency of public expenditure; and, (ii) to promote a more clear and transparent alignment between resource allocation and the pursuit of the Government's main policy goals.

Results Indicator	Unit	Baseline		Year 1		Year 2		Expected Completion Date	Data Source
		Value	Year	Planned	Actual	Planned	Actual		
EXPECTED OUTCOME 1: Enhanced capacity for public expenditure management.									
Percentage of participants that rated the training program as “satisfactory”.	%	0	2011			75		2014	MOF Survey Results As part of the evaluation process, the MOF will conduct a survey of the training activities, requesting participant’s feedback on the quality, relevance and usefulness of the training provided.

RELEVANT OUTPUTS.

PFM Reform Strategy prepared.	Strategy	0	2011	0		1		2012	Documented evidence of Cabinet approval of the PFM reform strategy.
Capacity development plan and implementation strategy prepared.	Plan	0	2011	1				2012	Copy of MOF-approved capacity development plan
External training (internship) for key MOF staff completed.	Staff	0	2011			5		2014	MOF Survey Results As part of the evaluation process, the MOF will conduct a survey of the external training, requesting participant's feedback on the quality, relevance and usefulness of the training provided during the internship
Training program for middle-management staff designed and implemented.	Staff	0	2011	0		5		2014	Copy of relevant report by PFMMU on capacity building activities
High-level seminars designed and delivered to ministers and permanent secretaries.	Seminars	0	2011	1		4		2014	Learning material and list of participants for each seminar
Basic skill development programs delivered to middle management staff	Program	0	2011			5		2014	Learning material and list of participants for each program

EXPECTED OUTCOME 2: Improved alignment between resource allocation and Government's main policy goals.

Number of Ministries with performance frameworks aligned with government policy priorities.	Ministries	0	2011			3		2013	MOPE National Transformation Unit implementation report.
RELEVANT OUTPUTS.									
Policy and regulatory framework to support the adoption of a result-based management system prepared.	Framework	0	2011			1		2014	Copy of MOF-approved regulatory framework to support the adoption of a result-based management system.
Budget Modernization program developed.	Action Plan	0	2011	0		1		2012	Documented evidence of Cabinet approval of proposals for

									transitioning to result based budgeting system
Performance framework Templates prepared.	Frameworks	0	2011	1		2		2013	MOPE-approved Performance framework template
Requirements for a new IFMIS prepared.	Concept Paper	0	2011	0		1		2013	Copy of MOF-approved IFMIS design document

Note: Please note that this outcome and output indicators will be the input for the PMR and will be monitored in the Quarterly Business Review.

V. BUDGET (*):

5.1 Budget should be presented by outputs or groups of outputs (for example: three publications, three conferences, seminars or workshops; one database; one survey; two training courses), and the relevant activities. Total available funds from counterpart sources should be reported. Use whole numbers only.

Costs	Project Cost – IDB Financing					Counter- part Resources	Other Financing
	Year 1		Year 2		Total request		
	Consult.	Travel (consultants only)	Other				
Preparation of PFM Reform Strategy: (i) a framework for clarifying system development needs and prioritizing problems to be resolved in each functional area; (ii) a framework for decision making on the scale of the program and on the timing and sequencing of program components; (iii) information required for early assessment of the change management implications of the proposed PFM reform program; (iv) an assessment of the levels of investments in infrastructure and human resources development; and (v) an assessment of the project management requirements, risks and operating implications of the strategy.	72,100	0		0	72,100	0	0
Preparation of capacity development plan and implementation strategy: (i) assessment of the capacity building needs at both the individual and institutional levels; and (ii) design of a costed, time-bound capacity development plan, and implementation strategy.	27,250	0		0	27,250	0	0
Development of Budget Modernization program: (i) completion of a detailed diagnostic on budgetary systems, procedures and practices; (ii) preparation of recommendations and an action plan for	220,200	0		220,200	440,400	0	0

transitioning to a result-based budgeting system; (iii) support the MOF's Economic Management Division to incorporate medium term macroeconomic forecasts in the budget process; and (v) development of a new Chart of Accounts to facilitate result-based budgeting.							
Preparation of change management plan and consensus build strategy: (i) analysis of the change management implications of business process improvement; (ii) analysis of organization restructuring; (iii) propose modifications to improve accountability and reporting arrangements; (iv) provide specific recommendations for any complementary changes to the regulatory framework and organization structure that may be necessary; (v) prepare the sequencing of change management interventions and responsibility allocation arrangements for the implementation of the change management plan; (vi) carry out a consensus building process among relevant stakeholders for the proposed modernization program and the definition of roles and responsibilities of each participating government agency; and (vii) establishing communication systems to support ongoing interaction with internal and external stakeholders on the progress of the reform program.	41,250	0		0	41,250	0	0
External training (internship) for key MOF staff: Travel and logistical costs for participation of at least five individuals on attachments to foreign public sector organizations that have successfully undertaken reform programs with similar objectives.		15,000		15,000	30,000		
Training program for middle-management staff: Initial round of training activities designed to acquaint relevant levels of staff with the basic principles and operational implications of the proposed budget and information systems modernization programs.	20,000			20,000	40,000		
High-level seminars to ministers and permanent secretaries: Logistical costs to cover five		10,000		10,000	20,000		

seminars to high level officials.							
Requirements for a new IFMIS prepared: (i) systems analysis, including task and process flow descriptions, (ii) needs analysis and functional specifications preparation; (iii) system design recommendations; (iv) preparation of requests for System Development Proposals (SDP); (v) review and analysis of the SDP; (vi) Human Resource capacity assessment; (vii) assessment of the existing computing infrastructure; and (viii) assessment of the regulatory framework and identification of legislative amendments required to support implementation of technical and management solutions.	281,200			281,200	562,400		
Preparation of performance framework templates: (i) development of system wide evaluation policy and standards; (ii) support the establishment of evaluation units within line ministries; (iii) design of agency-specific performance frameworks; (iv) definition of indicators for use in design and monitoring of individual programs/projects; (iv) preparation of a desk manual to guide the preparation of program evaluations at the sectoral and national levels; and (v) recommendations and roll-out plan for the establishment of evaluation units at individual line ministries.	84,400			84,400	168,800		
Sub-total					1,402,200		0
Audit and Evaluation					33,920		
Contingencies					63,880		
Program Administration						300,000	
Total					1,500,000		0
Total with IDB funding and counterpart resources					1,800,000		

Approximate value of in-kind counterpart	300,000	
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(*) For greater detailed please see detailed budget report: [#36230675](#)

5.2 Describe the source and type of counterpart resources: The MOF will provide the funding for the Administration of the Program (estimated US\$ 300,000).

5.3 Types of Consultants: Firms or individuals and main activities/outputs:

Type: Individual or Firm (if available)	Nationality (if available)	Estimated Cost	Main Activities / Outputs
Individual		72,100	Preparation of PFM Reform Strategy
Individual		271,600	Overall technical leadership and support for budget reform
Individual		253,600	Design of IFMIS
Individual		168,800	Design of IFMIS and Chart of Accounts
Individuals -Short term consultants		140,000	Design of IFMIS; advice on regulatory framework, accounting systems advice.
Individual		168,800	Macroeconomic forecasting.
Individual		41,250	Change management plan and consensus building strategy
Individual		27,250	Preparation of capacity building plan
Individual		168,800	Strengthening of monitoring and assessment capabilities.

VI. Bank costs:

For the Bank's internal purposes, please provide information in Bank costs associated with the execution of this KCP:

6.1 Bank staff participation in KCP:

Staff Name	Bank Unit	FTEs
VON HOROCH, JORGE LUIS	ICF/ICS	0.2
SANTA MARIA, BENJAMIN R.	ICS/CTT	0.1
HARPER, LESLIE ELIZABETH	ICF/ICS	0.1
SALABIE, DENISE ANN	PDP/CTT	0.1
JIMENEZ MOSQUERA, JAVIER I.	LEG/SGO	0.1
BRATHWAITE, NEECA N.	CCB/CTT	0.1
GONZALEZ, MELISSA MARIA LAURA	ICF/ICS	0.1

VII. Risks:

Fill-out the KCP's Environmental Screening and Classification using this link to the [Environmental Screening and Classification Toolkit](#). Then save it in IDBDOCS and record its number in the box below (*):

[36409716](#)

7.1 Implementation

Risks:

The risk management strategy focuses on the following potential risk factors: (i) policy related risks associated principally with the potential failure to achieve and sustain early high level acceptance and endorsement of the adoption of results based management systems and the challenge of policy coordination on complex reform issues; (ii) risks associated with the relative lack of institutional knowledge of the concepts of results based management; (iii) technological risks associated mainly with the challenge of integrating the range of financial management applications currently in use at the MOF and the line ministries; (iv) operational risks resulting principally from inherent administrative weaknesses; and (v) stakeholder acceptance risks associated with potential resistance from internal and external stakeholders.

To a significant extent, these risks relate to the paradigm shift implied by the adoption of a results based management framework. Specifically, results based management systems will be more demanding in terms of reporting requirements and will need to be supported by, inter alia, more

delegation of authority to line managers, the strengthening of systems for horizontal collaboration and a robust monitoring and evaluation regime.

To address these issues, the risk management strategy will involve: (i) the mainstreaming of change management, consensus building and capacity development at all levels into the substantive project design (Component 2); (ii) an integrated approach to the procurement of consultancy services for the key technical elements of the project; and (iii) the fullest possible integration of the PCU into the management structure of the MOF.

7.2 Please identify key environmental and social risks and impacts, and the strategy to address them:

The proposed program has no environmental impact, given that its activities are mainly of an advisory and capacity building nature. It is therefore classified as Category "C" according to the Bank Environmental Safeguard Policy (OP-703).

VIII. Coordination with other MDBs

8.1 Summarize collaboration or coordination with other MDBs, donors and other strategic partners (if any):

The support being provided by the IDB is being complemented by technical inputs from the European Union, and the World Bank and the Caribbean Regional Technical Assistance Center (CARTAC). A Donor Coordination Working Group has been established to coordinate activities in this area and to provide a forum for ongoing policy dialogue. The Working Group is chaired by the MOF and it meets on a monthly basis. To enhance coordination and mitigate the risk of duplication, it is proposed that the protocols governing the functioning of the Working Group include a requirement for the sharing of information among all participating donor agencies and the co-planning of and co-participation in missions.

IX. Monitoring and evaluation plan.

Fill-out the KCP's Development Effectiveness Matrix (DEM) using this link to the PCD [DEM template](#). Then save it in IDBDOCS and record its number (*): [36409762](#)

Summarize the basic elements of the Monitoring and Evaluation plan, including key activities and associated budget:

Responsibility for managing all aspects of the implementation of this project will be vested in the PFMMU, which will be the Program Coordinating Unit (PCU). This Unit will be headed by a Program Manager who will report directly to the Permanent Secretary of the MOF. The PCU will be responsible for delivery of all program components and all associated activities including:

- Development of implementation plans, scheduling, progress monitoring and reporting, and the collection and consolidation of data for the conduct of impact evaluations;
- Managing the process of obtaining all necessary internal approvals (drafting of Cabinet Notes, memos to other departments, high level briefings, etc.);
- Day to day management of the relationship with the IDB and other international agencies (obtaining non-objections, coordinating the mobilization of technical support, etc.);
- Logistical arrangements – financial management, space rental, equipment acquisition and maintenance, and maintaining adequate stocks of supplies and consumables; and
- Managing internal communications, coordinating change management activities, and acting as the focal point for technical and administrative relationships with consultants and other government departments and agencies. The technical coordination responsibility will be particularly important and will include: drafting of terms of reference and bid documents; collecting technical information from government agencies; managing consultants' work programmes and content; interpreting the operational implications of consultants' recommendations; approving payments to consultants; and providing support for the delivery of training and capacity building activities.

All procurement activity will be managed in accordance with the provisions of GN-2349-9 and GN-2350-9.

A Program Steering Committee (PSC) will be established to provide overall strategic direction and to support the policy coordination process. The PSC will be chaired by the Permanent Secretary of the MOF.

Exceptions to Bank policies:

N/A

Contractual Clauses:

N/A

Terms of Reference Doc# (IDBDOCS): See [#36503332](#)

(*) All documents saved in IDBDOCS must have read permissions granted to the group DOCS Users

Procurement Plan
Technical Support for the Public Finance Management Reform Program (TT-T1018)
Period of October 2011 – December 2013

Ref. No. ¹	Description of and category of procurement contract	Estimated cost (US\$)	Procurement method ²	Source of financing and percentage		Prequalification ³ (Yes/No)	Estimated Dates		Status ⁴ (pending, in process, awarded, cancelled)	Comments
				IDB %	Local / Other %		Publication of specific proc. notice	Completion of contract		
1	CONSULTING SERVICES (Individual)									
1.a	Long Term Adviser – Technical Support to the Economic Management Division (EMD)	168,800	QCII	100	0		December 01, 2011	September 30, 2013	Pending	
1.b	Long Term Adviser – Support for the implementation of the medium term action plan to build assessment & evaluation capacity	168,800	QCII	100	0		December 01, 2011	June 30, 2013	Pending	
1.c.	Individual consultant – Change Management and Consensus Building	41,250	QCNI	100	0		December 01, 2011	September 30, 2012	Pending	
1.d.	Individual consultant – Preparation of Capacity Development Plan	27,250	QCNI	100	0		December 01, 2011	September 30, 2012	Pending	
1.e	Individual consultant – Preparation of PFM Reform Strategy	72,100	QCII	100	0		December 01, 2011			
1.f	Chief Technical Adviser - Public Financial Management (PFM)/Budget Modernization Expert to provide overall technical leadership during the implementation phase and support the Budget Division (18 months)	271,600	QCII	100	0		December 01, 2011	December 31, 2013		
1.g	Long Term Adviser - Treasury Systems Expert (18 months)	253,600	QCII	100	0		December 01, 2011	December 31, 2013	Pending	
1.h	Long Term Adviser – ICT Expert (12 months)	168,800	QCII	100	0		December 01, 2011	September 30, 2013	Pending	
1.i	Short term consultants – ICT Procurement Expert; Legal Adviser; ICT & Accounting Sub-specialties	140,000	QCII	100	0		December 01, 2011	September 30, 2013	Pending	

¹ If there are a number of similar individual contracts to be executed in different places or at different times, these can be grouped together under a single heading, with an explanation in the comments column, indicating the average of individual amount and the period during which the contracts would be executed. For example: an education project that includes school construction might include an item labeled “School Construction” for an estimated cost of US\$20 million and an explanation under the Comments column such as this: “This item encompasses some 200 contracts for school construction averaging US\$100,000 each, to be awarded individually by the participating municipal governments over a three-year period between January 2006 and December 2008.”

² **Goods and Works:** **ICB:** International competitive bidding; **LIB:** limited international bidding; **NCB:** national competitive bidding; **PC:** price comparison; **DC:** direct contracting; **FA:** force account; **PSA:** Procurement through specialized agencies; **PAs:** Procurement agents; **IA:** Inspection agents; **PLFI:** Procurement in loans to financial intermediaries; **BOO/BOT/BOOT:** Build, own, operate/build, operate, transfer/build, own, operate, transfer; **PBP:** Performance-based procurement; **PLGB:** Procurement under loans guaranteed by the Bank; **PCP:** Community participation procurement; **Consulting Firms:** **QCBS:** Quality- and cost-based selection; **QBS:** Quality-based selection; **FBS:** Selection under a fixed budget; **LCS:** Least-cost selection; **CQS:** Selection based on the consultants’ qualifications; **SSS:** Single-source selection; **Individual Consultants:** **QCNI:** Selection based on comparison of qualifications of national individual consultants; **QCII:** Selection based on comparison of qualifications of international individual consultants.

³ Applicable only to Goods and Works in case the new Policies apply. In the case of previous Policies, it is applicable to Goods, Works and Consulting Services.

⁴ Column “Status” will be used for retroactive procurement and when updating the procurement plan.

**TECHNICAL SUPPORT FOR THE DESIGN AND IMPLEMENTATION OF THE
PUBLIC FINANCIAL MANAGEMENT**


TT-T1018

CERTIFICATION

The Grants and Cofinancing Management Unit (VPC/CGM) certifies that the amount of US\$1,500,000 from the ordinary capital PRODEV sub-account B, are available for the financing of the proposed program budget of the current operation.

ORIGINAL SIGNED

NOV 28th 2011

 Marguerite S. Berger
Chief
Grants and Cofinancing Management Unit
VPC/GCM

Date