

TC Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Strengthening Corporate Governance of Supreme Audit Institutions in Caribbean Countries
▪ TC Number:	RG-T3646
▪ Team Leader/Members:	Wilks, Jason Malcolm (IFD/ICS) Team Leader; Sprietzer, Deborah (VPC/FMP) Alternate Team Leader; Bhagirath, Vikash (VPC/FMP); Dassen, Nicolas (IFD/ICS); Dunbar, Gregory A (VPC/FMP); Hoepel, Lucas A (CCB/CSU); Jainauth-Umrao, Naveen (VPC/FMP); Manzur Madariaga, Michelle (IFD/ICS); Molina Bolanos, Evelyn Maria (IFD/ICS); Negret Garrido, Cesar Andres (LEG/SGO) Hoepel, Lucas A (CCB/CSU); Jainauth-Umrao, Naveen (VPC/FMP); Manzur Madariaga, Michelle (IFD/ICS); Molina Bolanos, Evelyn Maria (IFD/ICS); Negret Garrido, Cesar Andres (LEG/SGO) Hoepel, Lucas A (CCB/CSU); Jainauth-Umrao, Naveen (VPC/FMP); Manzur Madariaga, Michelle (IFD/ICS); Molina Bolanos, Evelyn Maria (IFD/ICS); Negret Garrido, Cesar Andres (LEG/SGO)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	01 May 2020.
▪ Beneficiary:	Governments of Suriname, Guyana and Jamaica
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Transparency Trust Fund(AAF)
▪ IDB Funding Requested:	US\$300,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	18 months
▪ Required start date:	September 2020
▪ Types of consultants:	Individual consultants and firms
▪ Prepared by Unit:	IFD/ICS-Innovation in Citizen Services Division
▪ Unit of Disbursement Responsibility:	IFD-Institutions for Development Sector
▪ TC included in Country Strategy (y/n):	N
▪ TC included in CPD (y/n):	N
▪ 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 The objective of this technical cooperation (TC) is to strengthen the institutional capacity of Supreme Audit Institutions (SAIs) within the Caribbean to manage increased demands for oversight of government discretionary spending in response to the COVID-19 global pandemic.¹ By facilitating greater adherence to international

¹ On March 25, 2020, the Bank received a letter of request from the Government of Suriname, which is attached as an annex to this TC document. The Governments of Suriname, Jamaica and Guyana are currently in the process of submitting their respective letters of No Objection, which are anticipated by the end of September 2020. The project team understands that no activities can be carried out in the

standards in the areas of investigative audits and self-regulation for SAIs, this TC will provide SAIs with the necessary tools to give greater scrutiny on transactions within the public finance system while exhibiting greater degrees of institutional autonomy that auger well for state legitimacy both locally and internationally. The specific objectives are to: (i) enhance the suite of audit services provided by supreme audit institutions; and (ii) develop institutional capacity in the management of human resources.

- 2.2 During times of national emergencies, the state is expected to respond decisively and urgently to public demands for assistance. Unfortunately, recent history has shown that national governments face the attendant challenge of ensuring probity within every phase of the distributive and redistributive processes necessary to facilitate these demands, with less than optimal results in preventing corruption often achieved.² These challenges can be further compounded by the influx of support by international development partners who, along with their technical and financial support, also bring their own conditionalities and performance appraisal frameworks that increase the regulatory burden on SAIs and other oversight agencies.³
- 2.3 As institutions of accountability, SAIs play a fundamental role in ensuring the transparency and integrity of emergency spending by public finance systems in the Caribbean. For example, the Auditor General's Department of Jamaica (AGDJ) was recently tasked by the government to provide audit oversight of the COVID-19 Allocation of Resources for Employees (CARE) programme, which provides cash assistance to vulnerable citizens and those who were recently unemployed due to the onset of the pandemic. However, to function effectively in this role, SAI's must balance the dynamic of extending their institutional presence within state agencies to conduct comprehensive financial investigations and control functions while maintaining the institutional autonomy needed to evaluate the performance of said executive institutions without the perception of bias or agency capture.⁴
- 2.4 SAIs in the Caribbean are acutely aware of existing gaps in their investigative capacity and institutional autonomy. For example, the 2011 Public Expenditure and Financial Autonomy (PEFA) report conducted in Suriname noted low scores (D) for effective external audits as it related to audit coverage and standards; submission of audit reports to the legislature; external audit follow-up and Supreme Audit Institution (SAI) independence. The 2017 report on the Supreme Audit Institution Performance Management Framework (SAI-PMF) for Suriname's SAI, the Rekenkamer (RvS), found the institution's performance across the various criteria ranged between a score of 0 and a score of 2 on a scale of 0 to 4,⁵ indicating that the RvS had not yet made

beneficiary countries under this TC until the letters of No Objection from the respective governments are received.

² Schultz, J., & Søreide, T. (2008). Corruption in emergency procurement. *Disasters*, 32(4), 516-536; Willitts-King, B., & Harvey, P. (2005). Managing the risks of corruption in humanitarian relief operations. A study for the UK Department for International Development. Overseas Development Institute: Humanitarian Policy Group. Retrieved August 11, 2007.

³ Maxwell, D., Bailey, S., Harvey, P., Walker, P., Sharbatke-Church, C., & Savage, K. (2012). Preventing corruption in humanitarian assistance: perceptions, gaps and challenges. *Disasters*, 36(1), 140-160.

⁴ Santiso, C. (2006). Improving fiscal governance and curbing corruption: how relevant are autonomous audit agencies? *International Public Management Review*, 7(2); Shahan, A. (2014). The Dilemma of the Supreme Audit Institutions: Autonomy or Relevance? A Case Study of the Government Accountability Office (GAO).

⁵ The ranking reflects that a '0' indicates where a SAI does not perform the function in question, and '4' that the SAI meets to the highest international standard.

the transition from its traditional function of controlling the regularity of government decisions to an external audit function based on risk analysis to identify systemic deficiencies in the country's financial management systems. Conversely, while the 2019 SAI-PMF report for the Audit Office of Guyana (AOG) found the organization scored well on its constitutional and statutory framework as well as its professional audit activities, there was need for improvement in its corporate management structures and the professional training of its staff, the area where it scored lowest in the assessment.

- 2.5 Whereas the COVID-19 global pandemic has become a public health crisis that necessitates greater attention to the ability of SAIs to manage fiduciary risks in the context of increased government spending, recent developments have created an opportunity for meaningful remedial action to address these institutional deficiencies. In Jamaica the aforementioned oversight of the CARE Programme created sufficient impetus for the enhancement of the AGDJ's investigative capabilities. While in Suriname, passing of the new Audit Act (Wet op de Rekenkamer), by the National Assembly in July 2019, which came into effect in January 2020 will improve the RvS's institutional independence by granting it autonomy over key aspects of financial and operational administration related to human resource management, corporate planning and budget execution. In the case of Guyana, the economic impact from the revenues that will flow from the exploitation of the oil reserves off the coast of Guyana that commenced in December 2019 has necessitated a comprehensive review and reform of government business practices, with an emphasis on the capabilities and integrity of regulatory agencies such as the AOG that have a defined role in the oversight of the oil and gas sector that will be tapped to fund the government's response to COVID-19.
- 2.6 **Alignment.** This project is consistent with the Bank's Update to the Institutional Strategy 2010-2020 (AB-3190) and is aligned with the challenge of developing productivity and innovation, enabling the participating SAIs to undertake projects and activities that will result in solid and ethical state institutions that are more prepared to prevent and fight against corruption. It also aligns with the cross-cutting area of institutions and the rule of law, contributing to strategic objective 3.6 (b), "To establish suitable institutional frameworks", by promoting efficient, fruitful, and transparent interaction between citizens and governments. Additionally, the project complies with the objective of the Transparency Fund, specifically with the "Control Systems" pillar which supports countries in strengthening regulatory frameworks; the design and implement innovative control and auditing tools and the development of information exchange systems between control entities. Finally, the TC promptly supports the lines of action suggested in the Bank's Sector Integrity and Transparency Framework, particularly those related to expanding the approach of supreme audit institutions beyond the traditional focus on legal compliance and promoting transparency in entities responsible for providing services by adopting corporate governance principles that support efficiency.
- 2.7 The TC aligns with IDB Group country strategies for Guyana, Suriname and Jamaica respectively. This assistance is in line with the IDB Group Country Strategy with the Cooperative Republic of Guyana 2017-2021 (GN-2905), which seeks to (i) strengthen fiscal policies and the framework managing natural resource revenues; and (ii) emphasize transparency and the adoption of sound auditing and procurement practices towards improving public expenditure and public financial management. Similarly, the TC is situated within an overarching strategic area of the IDB Group

Country Strategy with the Republic of Suriname 2016-2020 (GN-2873) which is to modernize the public sector by supporting state-owned enterprise reform to improve transparency of the public sector, which would allow identification of ways to improve performance of selected entities, reduce subsidies and address potential private sector crowding out. This TC also adheres to the strategic area of improving public sector management under the IDB Group Country Strategy for Jamaica 2016-2021 (GN-2868) through strengthening the financial management system.

- 2.8 This project focuses on strengthening the capacity and public legitimacy of SAIs in the region to perform external control functions, and is complemented by TC project RG-T3655, designed to improve the transparency and efficiency of public investment systems, by strengthening information management. Likewise, it will work in coordination with the RG-T3625 project that focuses on institutionalizing a results-based approach to audit activities by SAIs across Latin America and the Caribbean.

III. Description of activities/components and budget

- 3.1 This TC is proposed to involve two (2) components: (i) the execution of an enhanced suite of audit services; and (ii) policy development supporting autonomy in the management of human resources.
- 3.2 **Component 1. Enhancing Suite of Audit Services (US\$150,000).** Under this component, the Audit Office of Guyana and the Auditor General's Department of Jamaica will expand their financial forensic capabilities through the procurement of external services to (i) develop specialized forensic training courses; (ii) review of institutional training manuals; and (iii) pilot audits using skills derived from the aforementioned training courses. In addition, this component will support the provision of specialized financial audit courses for Rekenkamer personnel to enable the institution to conduct financial audits in keeping with International Standards of Supreme Audit Institutions (ISSAI) compliant practices.
- 3.3 **Component 2. Developing Human Resource Management Capacity (US\$150,000).** Under this component, the TC will facilitate the procurement of consultants to review and redesign the human resource management systems that are fit-for-purpose within the Audit Office of Guyana and the Rekenkamer. At a minimum, these consultancies will deliver (i) updated staff recruitment, retention and promotion policies; (ii) customized performance appraisal frameworks using digital solutions; and (iii) recommendations on aligning current job ratings and salary structures with international benchmarks for the remuneration of SAI staff. Additionally, this component will provide support for the development of a change management strategy to support the Rekenkamer as it transitions to being an institution with greater financial and administrative autonomy.
- 3.4 The total amount funding amount for this TC is US\$300,000 (non-reimbursable) to be financed with resources from the Transparency Fund (AAF).

Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Total Funding
Component 1. Enhancing Suite of Audit Services	Forensic Audit Courses for AoG and AGDJ staff delivered	\$80,000	\$80,000

	Financial Audit Course for Rekenkamer staff delivered	\$70,000	\$70,000
Component 2. Developing Human Resource Management Capacity	Change Management Strategy implemented	\$25,000	\$25,000
	Human Resource Management Framework redesigned	\$50,000	\$50,000
	Compensation reviews for Rekenkamer and AoG	\$75,000	\$75,000
Total		\$300,000	\$300,000

IV. Executing agency and execution structure

- 4.1 The overall coordination and technical supervision of the operation will be the responsibility of the Bank's Innovation to Serve the Citizen Division (IFD / ICS), in close coordination with the respective Country Office of the member state. Justification for Bank-executed contracting is in accordance with two conditions set out in the Bank's GN-2629 Guidelines - Annex 10, Section 2 (d), namely impartiality and regional technical cooperation. The need for an independent review of human resource management policies within the SAls for Guyana and Jamaica is mutually shared between the Bank and the respective governments. In addition, there is presently no regional entity with legal capacity to both coordinate and execute capacity building activities for the SAls in the three member states. These two circumstances therefore make it appropriate for the Bank to carry out contracting of consultants under this TC.
- 4.2 The Innovation for Citizen Services Division is well equipped to manage this operation and to assure the coordination needed, owing to similar experiences executing public sector reform initiatives currently being implemented in the sub-region, including JA-L1046 (Public Sector Efficiency Program); RG-T3419 (Strengthening Control Systems in the Caribbean); and TT-L1042 (Integrated Financial Management Information Systems). The TC will be implemented by the ICS Sector Specialist with responsibility for the Division's operations in the Country Offices of Guyana and Suriname, working in close coordination with the ICS Sector Specialist in the Country Office of Jamaica and with administrative support from IFD/ICS in the Bank's headquarters.
- 4.3 The TC will be implemented over 18 months, with execution expected over a twelve-month period. Procurement processes of contracts financed through this bank-executed TC will be conducted in accordance with the correspondent Procurement Policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-4 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and; (c) GN-2303-28 for logistics and other related services.

V. Major issues

- 5.1 Overall, no significant risks are expected for this operation. Within the context of a global pandemic, project implementation may experience some delays related to the ability of consultants to travel freely to the respective member states. However, the Bank will promote the use of digital tools and communication channels by consultants to execute their activities in a timely manner, where appropriate.
- 5.2 With regards to Component 1, there is a risk of a limited number of training providers able to deliver certified financial audit training in Dutch, the primary language of Suriname. To mitigate this risk, the Bank will work with the RvS to ensure sufficient

market research is done to identify all potential consultants that could viably participate in a competitive procurement process.

- 5.3 For Component 2, the primary risk relates to the lack of willingness among senior government officials to follow through on the recommended changes to the human resource frameworks of the two respective SAs. By ensuring that sensitization efforts of these oversight actors preempt the technical work contemplated under this component, the Bank will ensure that the expectations of these actors concerning the extent and speed of reforms will be managed and that the design of these frameworks takes into account the informed perspectives of these key stakeholders from the onset.

VI. Environmental and Social Strategy

- 6.1 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 and Safeguard Screening Form](#)).

Required Annexes:

[Request from the Client - RG-T3646](#)

[Results Matrix - RG-T3646](#)

[Terms of Reference - RG-T3646](#)

[Procurement Plan - RG-T3646](#)