

## TC ABSTRACT

### I. Basic Project Data

▪ Country/Region:	REGIONAL/CCB - Caribbean Group
▪ 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); Manzur Madariaga, Michelle (IFD/ICS); Hoepel, Lucas A (CCB/CSU); Dassen, Nicolas (IFD/ICS); Molina Bolanos, Evelyn Maria (IFD/ICS); Dunbar, Gregory A (VPC/FMP); Jainauth-Umrao, Naveen (VPC/FMP)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	01 May 2020
▪ Beneficiary:	Governments of Suriname, Jamaica and Guyana
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$300,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	18 months
▪ Types of consultants:	Individuals; 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):	No
▪ TC included in CPD (y/n):	No
▪ 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 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. By facilitating greater adherence to international 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. 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.

- 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. 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.
- 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. 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, by the National Assembly in July 2019, 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.
- 2.6 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 projects 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-T3646 project that focuses on institutionalizing a results-based approach to audit activities by SAIs across Latin America and the Caribbean

### **III. Description of Activities and Outputs**

- 3.1 **Component I: Enhancing Suite of Audit Services (US\$155,000).** Under this component, the Audit Office of Guyana and the Auditor General's Department of Jamaica will expand their financial forensic capabilities through consultancies 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.
- 3.2 **Component II: Developing Human Resource Management (US\$145,000).** Under this component, the TC will facilitate procurement of consultants to review and redesign the human resources performance management systems that are fit-for-purpose within the Audit Office of Guyana and the Rekenkamer.

### **IV. Budget**

#### **Indicative Budget**

Activity/Component	IDB/Fund Funding	Total Funding
Enhancing Suite of Audit Services	US\$155,000.00	US\$155,000.00
Developing Human Resource Management	US\$145,000.00	US\$145,000.00
<b>Total</b>	<b>US\$300,000.00</b>	<b>US\$300,000.00</b>

## **V. Executing Agency and Execution Structure**

- 5.1 As there is presently no regional entity with legal capacity to both coordinate and execute capacity building activities for the SAIs in the three member states, 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.
- 5.2 This justification is in keeping with conditions set out the Bank's GN-2629 Guidelines-Annex 10, Section 2 (d). The TC will be implemented over 18 months, with execution expected over a twelve-month period. 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).
- 5.3 Procurement processes of contracts financed through this bank-executed TC will be conducted in accordance with the correspondent Procurement Policies (GN-2765-1; GN-2303-20; AM-650).

## **VI. Project Risks and Issues**

- 6.1 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.
- 6.2 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.
- 6.3 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 SAIs. 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.

## **VII. Environmental and Social Classification**

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