

## TECHNICAL COOPERATION PROFILE

DECEMBER, 2009

### I. BASIC PROJECT DATA

▪ <b>Country:</b>	Commonwealth of the Bahamas		
▪ <b>Program</b>			
<b>Name/Number:</b>	Management for Results (BH-T1013)		
▪ <b>Team</b>	Stefano Tinari (ICF/ICS), Team Leader; Marco Varea (ICF/ICF);		
<b>Leader/Members:</b>	Sharon Miller (CCB/CBA); Miozotis Florez (LEG/SGO); and		
	Valeria Wedolowski, (ICF/ICS), Project Assistant		
▪ <b>Date of request:</b>	April 29, 2009		
▪ <b>Beneficiary:</b>	Commonwealth of The Bahamas		
▪ <b>Executing Agency:</b>	Ministry of Finance		
▪ <b>Financing Plan:</b>	IDB: Non-Reimbursable resources from		
	PRODEV-Sub-account B	US\$	1.500.000
	Counterpart:	US\$	165.000
	Total:	US\$	1.665.000
▪ <b>Technical and Basic</b>	Preparation: ICF/ICS		
<b>Responsibility:</b>	Execution: CCB/CBA		
▪ <b>Tentative Dates:</b>	Expected approval	February 2010	

### II. BACKGROUND AND PROBLEM STATEMENT

#### A. Background

- 2.1 In April 2009, the Inter-American Development Bank received a communication from the Ministry of Finance of The Bahamas, asking the Bank to provide assistance in the form of a technical cooperation program in support of the development effectiveness initiative underway in the Country. The program would consist in the design and implementation of a system to enhance the capacity of the Country to program, budget, execute and evaluate public sector programs, by strengthening the capacity to manage for results. This program would be funded by PRODEV, the Bank's arm to promote Management for Results in the Region.
- 2.2 In September 2009, the Bank sent a mission to Bahamas to apply the PRODEV diagnostic tool, and to produce a report identifying the current situation with respect to the implementation of management for results principles in the Country, and to prepare an action plan. This report considered the country's institutional baseline to implement results-based management in the areas of planning, budgeting for results, financial management, sector development and public investment, together with their respective monitoring and evaluation components.
- 2.3 The proposed plan to introducing Management for Results principles in the Bahamas, is based on the results of the diagnostic exercise performed in September 2009, and was presented and positively received by the Government in November 2009.

## **B. Problem Statement**

- 2.4 The application of the diagnostic has shown that Bahamas lacks a legal framework to regulate economic planning, and, as a consequence, no strategic planning is introduced into public sector management. Similarly, the practice of budgeting for results is not utilized, since the current budget is line based, and does not incorporate outcomes or evaluation criteria. However, the proposal “Enhancing Accountability and Transparency in Public Financial Administration” being circulated by the Ministry of Finance, lists several initiatives that are consistent with the introduction of the concept.
- 2.5 Due to the absence of a public investment system, there is no integration between the project execution and the financial system. The country operates a central expenditure approval system or a payment system, but this does not integrate financial information with local governments. Public investment projects lack a prioritization system for projects’ programming and execution. Monitoring and evaluation still need to be carried out in a more systematic way. Three out of four line ministries encountered do not have the practice and expertise to use planning systems.
- 2.6 In a few cases, statistics are used for planning; however, indicators are not used to allocate funds according to expenditure effectiveness. Technology needs to be integrated into different areas in public administration, precisely to integrate the public financial administration. Treasury operates basically with a payment operating system.
- 2.7 In summary, Bahamas has a lot of potential to introduce management for development results in different sectors and at all levels of public policies. The Ministries of Health and Education are already working with strategic plans, and evidence based policy making process is a reality, while in others ministries the issue is not yet on the table. Given the current situation, a restructuring of the Public Financial Management System, and the introduction of mechanisms for planning, executing and evaluating public investment project according to the principles of management for results has the potential to generate important savings and reduce the fiscal deficit.

## **III. PROGRAM OBJECTIVE AND DESCRIPTION**

- 3.1 The objective of this program is to introduce the principles of management for results into the various stages of public financial administration in the Bahamas.
- 3.2 The Program is structured in the following components: (i) Strategic Planning; (ii) Budget; (iii) Financial Management; (iv) Project management; (v) Monitoring and Evaluation of Public Administration; (vi) Public procurement; and (vii) Audit.
- 3.3 **Strategic Planning.** This component will help in the preparation of the guidelines to convert government priorities into government plans. The program will finance the design and introduction of a strategic multi annual plan that defines the strategic objectives of the administration, identify the strategic units to assume responsibility to implement the plan, and creates a direct relation between the government plan, the strategic units and the budget. The program will fund the design of a legal framework that

will establish the guidelines to implement a system of performance indicators for measuring expenditure performance and promote the quality of public expenditure. This system will be operated in conjunction with the line ministries, and the performance indicator system will set the bases for the allocation of budgetary funding, taking into account the number of programs that satisfactorily meet their objectives.

- 3.4 **Budget.** The PRODEV program will complement the introduction of initiatives to link the strategic planning to the budget execution with the measures proposed for the modernization of the Financial Administration and Audit Act of 1973, such as the requirement to include in the budget preparation a medium term perspective showing how revenues and expenditures are expected to evolve during the two years after the next fiscal year, and the requirement that the Budget should state the long term fiscal policy objectives.
- 3.5 **Financial management.** The objective this component is to ensure efficient allocation and management of human, financial, and physical resources in public agencies. Resources from the PRODEV program will finance the design and establishment of the legal framework and the implementation of an electronic information system that integrates the principal areas of government financial management: budget, tax administration, public credit, cash management, and accountancy. The system will be connected to the public investment and linked to the electronic financial management system, and electronic procurement system. Financial information from local governments should be integrated into the electronic financial management system.
- 3.6 **Project management.** This component will provide the means to improve the capacity to translate sector planning into policy goals and the formulation and execution of projects. The program will cover the introduction of the use of annual and multiyear targets in the planning activities of selected pilot institutions, identify and train strategic units within the institution responsible for producing goods and providing services, introduce the use of management contracts with the executing agencies, identify parameters for performance evaluation, and link evaluation systems to incentives for results. In addition, the program will support the introduction of a comprehensive Management for Result strategy in the selected institutions, covering areas as programming, personnel and resources, and improvement in service quality, as well as introducing mechanisms for periodic consultation with civil society organizations with the goal to improve goods and services.
- 3.7 **Monitoring and evaluation of public administration.** The execution of this component will cover the relation between planning, funding and achievement of development goals. PRODEV resources will be used to strengthen the legal and institutional framework for evaluating government performance, and to establish a central government body responsible for evaluating public policies, programs and projects performance, and execution. This will be complemented by the definition of an evaluation methodology, based on common indicators shared by the monitoring and executing entities, the definition of sanctions or corrective actions in case of no fulfillment of targets and objectives, and of the modalities to share the information with the legislature and the civil society.

- 3.8 **Public Procurement.** The program will strengthen the current legal framework by supporting the establishment of an independent body that centralizes the procurement needs of the public administration, and defines the guidelines for procurement and contracting process, based on competition and transparency in awarding public contracts. This regulatory or policy-setting body for government procurement will define and assign regulatory functions to various government units, define enforcement and implementation arrangements, and set the extent of participation by the regulatory and supervisory body in procurement processes. In addition the new independent body will produce and make available procurement statistics, and introduce a legally established process to lodge and resolve disputes in the procurement process.
- 3.9 **Audit.** If desired, the Government could use PRODEV funds to review the current legal framework governing external and internal audit in the Bahamas, to recommend organizational and procedural improvements with the objective to perform timely and reliable audits of all central government bodies, covering an increased percentage of total government expenditures.

#### IV. COST AND FINANCING

- 4.1 The cost of the Program has been estimated at US\$1,665,000, of which the Bank would finance up to US\$1,500,000 of the costs on a non-reimbursable basis from the funds allocated to PRODEV-Sub-account B. The Government of The Bahamas will contribute the amount of US\$165,000 as counterpart funds. The table below summarizes the estimated cost of the project by components.

Category	IDB	Local Counterpart	TOTAL
Component 1. Strategic Planning	\$250,000		\$250,000
Component 2. Budget	\$150,000		\$150,000
Component 3. Financial management	\$200,000		\$200,000
Component 4. Project management	\$300,000		\$300,000
Component 5. Monitoring and evaluation of Public Administration:	\$200,000		\$200,000
Component 6. Public procurement	\$200,000		\$200,000
Component 7. Audit	\$150,000		\$150,000
Program evaluation and audit	\$50,000		\$50,000
Counterpart contribution		\$165,000	\$165,000
<b>TOTAL</b>	<b>\$1,500,000</b>		<b>1,665,000</b>

#### V. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 5.1 **Executing Agency.** The execution of this program will be based in the Ministry of Finance. The Ministry of Finance is the central institution responsible for the Public Financial Management in the Bahamas. The pilot project in selected ministries for the implementation of the project management component, and the program to support the office of the Auditor General will be executed by setting up peripheral executing agencies in these institutions.

- 5.2 **Procurement.** All procurement in the execution of the program will be done in accordance with IDB procurement procedures, as stated in the Bank policies GN-2350-7 ("Policies for selection and contracting of consultants financed by the IDB) and GN-2349-7 ("Policies for the procurement of works and goods financed by the IDB").
- 5.3 The Technical cooperation financing will be limited to activities related to consultancy and technical assistance, training, information technology (including equipment), and travel. In the case of procurement of goods to be financed under this TC, the amount should not exceed 30% of the Bank's financing, in accordance with the TC Policy.

## **VI. MAJOR ISSUES**

- 6.1 A position paper circulated by the Ministry of Finance in May 2009 " Enhancing Accountability and Transparency in Public Financial Administration " mentions the possibility of considering the introduction of some aspects of Strategic Planning into the organization of the financial public sector, as measures to introduce accountability and transparency in public management. This shows political support on behalf of the current administration in promoting and introducing management for results in public sector management. In addition, the current macroeconomic environment is conducive to the introduction of measures that promote strategic planning and accountability in public sector management, as a mean to reduce the fiscal imbalance of the Country.

## **VII. ENVIRONMENTAL AND SOCIAL STRATEGY**

- 7.1 Given the nature of the program involving institutional strengthening activities, no social or environmental issues are foreseen. Based on the afore-mentioned, and according to the Environment and Safeguards Compliance Policy GN-2208-20 and OP-703, the operation has been classified as "C".

## **VIII. ACTION PLAN**

- 8.1 The Plan of Operations and its annexes are expected to be distributed to QRR in January, 2010, and Approval is expected for February, 2009.

## **IX. APPROVAL**

*(Original Signed)*

*December 17, 2009*

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Xavier Comas  
Division Chief (ICF/ICS)

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Date

Concur:

*(Original Signed)*

*December 14, 2009*

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Oscar Spencer  
Country Representative (CCB/CBH)

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Date

*(Original Signed)*

*January 20, 2010*

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Mario Marcel  
Manager (ICF/ICF)

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Date

*(Original Signed)*

*January 22, 2010*

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Dora Currea  
General Manager (CCB/CCB)

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Date