

TECHNICAL COOPERATION PROFILE

GUYANA

NOVEMBER 20, 2006

I. BASIC PROJECT DATA

Project name:	Enhancing the Planning and Budgeting Functions to Support Government's Performance Management Capacity.		
Project number:	GY-T1016		
Project team:	Leader: Gonzalo Afcha (RE3/ SC3); Paloma Baena (RE3/SC3); Javier Reyes (COF/GY); and Ana Lucía Saettone (RE3/SC3).		
Date of request:	Letter of Agreement dated July 5, 2005		
Beneficiaries:	The Cooperative Republic of Guyana		
Executing agency:	The Ministry of Finance (MOF)		
Financing plan:	IDB: (PRODEV, Sub-Account A)	US\$	450,000
	Local:	US\$	<u>50,000</u>
	Total:	US\$	<u>500,000</u>
Technical and basic responsibility:	The Ministry of Finance (MOF)		
Tentative dates:	Orientation mission:	November 2006	
	Loan Committee:	November 2006	
	Approval by President:	January 2007	

II. BACKGROUND

A. Background

- 2.1 In accordance with the regulations for accessing PRODEV funds, the Government of Guyana (GOG) and the Bank signed a Letter of Agreement on July 5, 2005, setting the framework for the implementation of PRODEV in the country. Through the Agreement, the Bank and the GOG concurred to work together to strengthen performance capacity and enhance development effectiveness by designing and implementing systems for resource management and administration, as well as for measurement of results. The agreement also states that during the first phase of PRODEV, the Bank will assist the GOG to complete

relevant diagnostic work and develop a comprehensive Action Plan for enhancing the Country's development effectiveness through the introduction of a management for results approach.

B. Recent Developments in Public Financial Management in Guyana

- 2.2 A number of steps have been taken towards improving the legal and institutional framework for public management. Most notably, since late 2003 the GOG, with the Bank's and other donors' support, is undertaking comprehensive reforms at the national level in the areas of public sector financial management and fiscal oversight. These reforms establish a regulatory framework whereby performance measurement of programs is linked to the budget formulation process.
- 2.3 While progress in the implementation of these reforms is satisfactory, the state of development of the financial management and oversight systems impede the GOG to advance towards an orderly performance based strategy. These limitations might be summarized as follows:
- a. Guyana lacks a systematic and standardized approach to the planning processes across its public sector. As a result, the implementation of sectoral planning strategies is weakly linked to annual operating plans and its corresponding budgetary allocations.
 - b. While there exists a legal requirement for public entities to submit program performance statements to support the budget formulation, there is not a framework which outlines the planning process and the technical and formal requirements to prepare in an orderly, systematic and standardized manner such performance statements thus limiting their potential to provide useful information for monitoring and evaluation purposes. Additionally, these performance statements are mainly focused on outputs, not outcomes, which reduces their capacity to be used in strategic planning.
- 2.4 Supported by progress achieved in strengthening public management, particularly in the budgetary system and statistical information capacity, as well as the existing institutional framework and the GOG's commitment to deepen the reform process, the Program will seek to address the weaknesses identified above in order to provide a foundation for the development of a systematic and standardized performance planning, monitoring and evaluation system in Guyana's public sector.

C. Monitoring and Evaluation in Guyana: The Poverty Reduction Strategy and other Public Sector Initiatives

- 2.5 In order to monitor the progress on implementation of the programs and projects outlined in the Country's Poverty Reduction Strategy (PRSP), the GOG has recently initiated the preparation of a semi annual Poverty Expenditure Tracking Report (PETR). The PETRs highlight the financial inputs provided by the GOG towards the implementation of the prioritized programs and projects, providing

- information on the actual and budgeted amounts for four sectoral ministries and five cross-cutting agencies, and include information about projects monitored at a community level. The Monitoring and Evaluation Unit in charged of the preparation of the reports is also working towards building the capacity at the agency level for monitoring and evaluation.
- 2.6 The two PETR prepared so far for year 2005 identify several limitations that undermine the capacity to effectively evaluate the impact of GOG policies and programs: (i) Weak planning budgeting and monitoring processes at the central ministries and regional administrations; (ii) disconnections between priorities identified by the communities and programs implemented by the Regional Development Councils (RDCs); (iii) lack of appreciation of the critical role that monitoring and evaluation (M&E) can play for improving the effectiveness of planning for achieving objectives; (iv) disconnection between capital and current planning; and (v) weaknesses in the expenditure tracking system include: (a) aggregated structure of expenditure reports from the GOG's Integrated Financial Management Information System (IFMAS); (b) tracking actual spending at the activity levels of budget agencies; and (c) spending not systematically linked to specific output and outcome indicators.
- 2.7 The PETRs also point out that where M&E exist at the central level, these capacities are often linked to specific foreign funded projects. In this regard, there are several Bank projects in the country that include initiatives aimed at strengthening the M&E capabilities of the beneficiary institutions: (i) with IDB financing, the Bureau of Statistics (1516/SF-GY) is establishing a system to support monitoring progress towards achievement of the PRSP targets and the Millennium Development Goals (MDGs); (ii) Basic Education, Access, & Management Support Program (BEAMS) (1107/SF-GY), through the Ministry of Education; (iii) Health Sector Program (1548/SF-GY); (iv) Public Management Modernization Program (1604/SF-GY); and (v) Support for the Implementation of the Strategic Plan of the Audit Office (GY-T1030), a TC directed to strengthen the Office of Auditor General's operational capabilities in the field of value for money audits, currently under preparation.
- 2.8 In spite of the progress reported on these GOG's initiatives, there is not a systemic and standardized approach to M&E for the application by the individual entities, which severely reduces the capacity to (i) measure the results through the programs and resources assigned to them; (ii) design and implement early correction mechanisms; and (iii) capitalize on best practices and lessons learned.

D. Bank's Strategy

- 2.9 The Bank's strategy for Guyana (GN-2257-9) is focused on the promotion of sustainable growth, social development and poverty reduction in addressing its major development challenges: (i) maintaining a sound macroeconomic framework for sustain growth; (ii) improve governance and public sector modernization; (iii) encouraging private sector development through policy and institutional reforms; and (iv) improving social sector infrastructure.

- 2.10 This operation supports the second strategic objective. It is also compatible with the strategy's criterion for identification and prioritization of new Bank projects/programs in the area of public sector modernization. It is also consistent with current Bank interventions in the area of public management, such as Fiscal and Financial Management Program (1550/SF-GY); Public Management Modernization Program (1604/SF-GY); and BEAMS Program (1107/SF-GY). These programs are entirely consistent with GOG's objectives of improving the functioning, the institutional framework and accountability and service delivery mechanisms of the public sector. Care will be taken to avoid duplication and ensure full coordination between these operations.

E. Program's Strategy

- 2.11 The Program will build upon GOG's ongoing reform efforts by (i) capitalizing on diagnostics already made or in preparation in relevant areas of public sector management,¹ and developing a conceptual model of Performance-Based Management (PBM) to facilitate the preparation of the Medium Term Action Plan (MTAP); (ii) focusing on improving inter-institutional coordination and the planning capacity of sectoral ministries and key central government agencies as a critical step to strengthen the link between performance, M&E and the budget process; (iii) developing two pilot programs in PBM to derive lessons for the future implementation of the MTAP; (iv) establishing a flexible training program to disseminate PBM concepts.

III. THE PROGRAM

A. Objective

- 3.1 The objective of this non-reimbursable technical cooperation is to strengthen PBM in Guyana by supporting the preparation of a MTAP to improve the planning, management, monitoring and evaluation capacity of the public sector. The preparation of the Action Plan will be accompanied by capacity building activities in the GOG planning system that have been identified as critical to facilitate the future implementation of the Action Plan.

B. Description

- 3.2 The Technical Cooperation will be implemented through the following components:

1. Preparation of the Strategy and Medium Term Action Plan for Improving Government's Performance-Based Management

- 3.3 Existing initiatives by GOG to improve public management provide the starting point for a MTAP aimed at the development of a comprehensive institutional

¹ The Bank and the GOG will undertake a joint CFAA/CPAR assessment in the next months financed with resources of a dedicated Technical Cooperation.

framework for PBM. A critical element of the MTAP will consist of a series of activities to promote a closer alignment between the planning processes and the budgetary and reporting systems and the facilitation of consistent measurement and evaluation of outcomes.

3.4 Under this component the program will finance:

- a. Consulting services to undertake additional assessments necessary for preparation of the MTAP, including: (i) the assessment of the capacity to collect, store, use and disseminate administrative information by the core institutions of the central government; and (ii) the existing feedback mechanisms to incorporate monitoring and evaluation information into the planning process.
- b. Technical proposals to support the preparation of the MTAP including: (i) the conceptual model for PBM; (ii) improvements of the existing coordination mechanisms; and (iii) if necessary, the adjustments to the legal framework.
- c. Consulting services for the preparation of the draft and final versions of the MTAP.
- d. Consultations within the GOG. Workshops and seminars with other stakeholders, including parliament.
- e. The dissemination strategy for the MTAP in view of gaining acceptance for the future implementation of the PBM system.
- f. The design of a training program to support the future implementation of the MTAP.

2. Enhancing Institutional Capacity and Coordination in the Planning System

3.5 Activities will aim at supporting initial steps to improve inter-institutional coordination of the planning system while enhancing the capacity of the central planning unit at the MOF and the planning units of the sectoral ministries. It is expected that the MOF will develop, update and improve relevant guidelines and methodologies to induce the improvement of planning practices in the ministries. For this purpose, the MOF will review international best practices and the practices currently applied by the Ministry of Education or other relevant national experience that could be easily replicated.

3.6 The activities to enhance the planning system will focus on operational mechanisms and methodologies to improve the interface between project planning and budgeting functions. For this reason, main activities will include the development and dissemination of basic guidelines for use in the preparation of strategic and annual operating plans to support the budget formulation process, as

well as for the corresponding program performance statements at the end of the fiscal year.

- 3.7 The program will also induce the application by the sector ministries of the new methodologies for the identification, prioritisation, formulation and evaluation of investment projects, which were developed under the Public Sector Investment Management System Program (ATN/SF-8199-GY).

3. PBM Pilot Experiences

- 3.8 The program will finance the design and implementation of two PBM pilot experiences in the sectors with a more developed planning function, to be defined jointly by the GOG and the Bank during the preparation of the TC Plan of Operations.
- 3.9 The pilot programs will follow a comprehensive approach to PBM within the relevant agencies, including the planning, programming, budgeting, monitoring and evaluation processes. It is expected that this approach will provide the opportunity to extract learning lessons, identify priority actions and inform the design of the MTAP.

4. Training and Dissemination

- 3.10 This component will support a consensus building process on the challenges and benefits of the implementation of a PBM system by supporting a training program for senior civil servants, parliamentarians and, where appropriate, civil society organizations.
- 3.11 In order to support the sustainability of the future implementation of the MTAP, the program will seek to utilize the capacity resources available through the Strengthening Management for Social Development Program that is currently being developed by the Bank with the support of INDES.²

IV. COST AND FINANCING

- 4.1 The cost of the program has been estimated at US\$500,000, of which the Bank would finance up to US\$450,000 of the costs on a non-reimbursable basis from the funds allocated to PRODEV. The Government of Guyana will contribute the equivalent of US\$50,000 as counterpart funds.

² The objective of this program is to develop and strengthen the managing capacity in Guyana in the adoption of a results based managerial approach to public policy.

BUDGET (US\$)			
	IDB	GOG	TOTAL
1. Medium Term Action Plan	120,000	10,000	130,000
2. Enhancing the Planning System	170,000		170,000
3. PBM Pilot Programs	30,000	10,000	40,000
4. Training and Dissemination	50,000		50,000
5. Administration and Contingencies	80,000	30,000	110,000
TOTAL	450,000	50,000	500,000

V. EXECUTION

- 5.1 The MOF will be the executing agency for this program. The estimated timeframe for execution is 18 months, while the expected disbursement period is 24 months.

VI. ACTION PLAN

- 6.1 It is expected that an orientation mission will take place in November 2006 to begin preparation of the Plan of Operations, expected for approval in January 2007. The final document will include specific monitoring arrangements for the operation. For the preparation of the Plan of Operations, the GOG and the project team will be assisted by consultants with demonstrated expertise in performance based monitoring and evaluation. The consultancies will be financed with PRODEV Sub-Account C funds provided by the Bank.

VII. ENVIRONMENTAL AND SOCIAL ASPECTS

- 7.1 Given the focus of this program upon institutional strengthening activities, no social or environmental issues are foreseen.