

## TC ABSTRACT

### I. Basic project data

▪ Country/Region:	Multi-country
▪ TC Name:	Strengthening Country Fiduciary Systems towards an increased use in Bank-financed operations
▪ TC Number:	RG-T2511
▪ Team Leader/Members:	Javier Dávila Perez (TL), Alejandra Fleitas (ATL), Deborah Sprietzer (TM), María del Pilar Locano Godinez (TM), Mariana Lopez Fernandez (TM), Sharlene Shillingford McKlmon (TM), Roberto Laguado (TM), Edwin Tachlian (TM), Leslie Harper (TM), Maria Jose Jarquin (TM), Viviana Maya (Attorney).
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Client Support
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	N/A
▪ Reference to Request: (IDB docs #)	N/A
▪ Date of TC Abstract:	June 16, 2014
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	Ministries of Economy/Finance/Procurement Agencies/ Supreme Audit Institutions/regional bodies of borrowing member countries
▪ Executing Agency and contact name (Organization or entity responsible for executing the TC Program) {If Bank: Contracting entity} {If the same as Beneficiary, please indicate}	IADB (VPC/FMP) will execute the operation and will carry out all contracting-related activities.
▪ IDB Funding Requested:	\$1,000,000
▪ Local counterpart funding, if any:	
▪ Disbursement period (which includes execution period):	24 months
▪ Required start date:	July 15, 2014
▪ Types of consultants (firm or individual consultants):	Consulting firms and individual consultants
▪ Prepared by Unit:	VPC/FMP
▪ Unit of Disbursement Responsibility:	VPC/FMP
▪ Included in Country Strategy (y/n); ▪ TC included in CPD (y/n):	Y/Y
▪ GCI-9 Sector Priority:	3. Institutions for Growth and Social Welfare Fiscal Efficiency and Sustainability

### Objective and Justification

#### Background:

The Bank's Strategy for the Strengthening and Use of Country Systems (GN-2538), approved by the Board of Executive Directors in March 2010, supports borrowing member countries in strengthening their fiduciary systems to close the gap with international standards and good practices, so that the Bank may eventually rely on these systems for Bank-financed operations. Over the past four years, the Bank has made significant headway in implementing the Strategy, achieving most of the expected results and positioning itself as one of the principal allies in the Region for the development of these systems. As part of the Strategy's 3-year Review (GN-2538-9) in August 2013, the Board of Directors confirmed that the Bank should continue implementing the Strategy. Management is currently in the process of establishing the expected results for 2018.

Along with the implementation of the Strategy, through the Bank's regional technical cooperations (RG-T1971, T2157, T2313, T2125) and other administrative funds, 23 countries have received support since 2011, bringing their fiduciary systems closer to international standards and good practices. These activities were focused primarily on assisting countries in performing assessments of their fiduciary systems and determining the level of development of such systems at the national and sub-national levels, as well as identifying areas for greater opportunity.

As a result of the increased demand for Bank support, the Board of Directors asked Management to provide a stable source of financing for implementing the Strategy. This TC is expected to address most of the demand anticipated for 2014, focusing on supporting countries in reducing the gap with international standards and good practices; creating or improving their technical capacity; and sharing knowledge, experiences and good practices with other countries (south-south and east-west cooperation).

**Objective:** The objective of this TC is to support borrowing member countries in their efforts to strengthen procurement and financial management systems, by: 1) supporting the modernization of their systems towards increased efficiency and effectiveness; 2) supporting the adoption and implementation of international standards and/or narrowing the gaps with good practices; and 3) transferring knowledge and supporting cooperation within the Region to exchange good practices and lessons learnt from other countries.

## **II. Description of activities and outputs**

**a. *Component 1: Strategic Action Plans.*** The objective of this component is to support client countries in the design and implementation of action plans to improve and strengthen their technical capacity. This will include: a) responding to the demand for developing action plans in topics such as: institutional development of public procurement; creation of national procurement bodies; career streams in national fiduciary oversight institutions; protest mechanisms in procurement systems; innovative procurement methods, such as reverse auctions and framework agreements; supplier registry modules; access of small and medium enterprises (SMEs) to the public procurement market; institutional development of strategic public buyers; institutional strengthening of suppliers (training and professional improvement); increasing capacity in external audit entities; implementation of modern audit techniques and tools; b) support countries to develop and implement new or modern procurement and financial management information systems; c) help countries to design action plans to strengthen existing fiduciary systems; and d) support countries to adopt and implement international standards and good practices, such as international accounting (IPSAS, IFRS) and auditing (ISSAI, ISA) standards, etc.

The expected result is to assist countries in the identification of reasonable and concrete actions with milestones, followed by the implementation and monitoring of such actions to enhance country procurement and financial management systems, ensuring compliance with international standards and good practices, as well as achieving the Bank's and the countries' strategic goals.

**b. *Component 2: Closing Gaps with International Standards and Good Practices.*** This component consists of capacity building activities, primarily in executing agencies, to support countries to fully or partially close the gap with international standards and good practices and identifying and/or getting closer to a possible use of the country's fiduciary systems for Bank-financed operations. This includes supporting countries in: i) adopting and implementing international standards; increasing the technical capacity of SAs and Central Government Agency public servants; designing and implementing new regulations, policies and procedures that support reforms completed by the countries; and/or implementing activities aimed at strengthening fiduciary institutions (public and private) and related practices and processes.

The expected result for this component is the full or partial closing of the gap with international standards and good practices in procurement and financial management, measured through an increased score for specific indicators (implementation of the Strategy).

**c. *Component 3: Knowledge transfer between LAC countries.*** In order to strengthen procurement and financial management capacity in LAC governments and to promote good governance, the Bank will promote knowledge sharing, transfer and cooperation between and among LAC countries and more advanced countries, including sharing experiences and lessons

learned from countries that already have advanced in the adoption and implementation of country systems for Bank-financed operations.

The expected result of this component is to contribute to the Region with a better understanding, adoption, and implementation of international standards and good practices in public financial management and procurement, thus contributing to a more efficient and effective allocation of domestic resources.

The components mentioned above will have an impact on the expected results of the Special Program for Institutional Development (GN-2766). As of today, 19 countries have requested assistance in developing their fiduciary country systems<sup>1</sup>.

### III. Budget

#### Indicative Budget

Activity/Component		Description	IDB/Fund Funding	Counterpart Funding	Total Funding	%
I	<i>Strategic Action Plans</i>	Activities promoting concrete actions to strengthen/modernize country fiduciary systems	100%	Determined by activity using the request form	\$200,000	20%
II	<i>Closing gaps with International Standards and Good Practices</i>	Improve capacity of fiduciary-related institutions and executing agencies	100%	Determined by activity using the request form	\$ 600,000	60%
III	<i>Knowledge transfer between LAC countries</i>	Activities promoting cooperation and knowledge transfer	100%	Determined by activity using the request form	\$200,000	20%

### IV. Executing agency and execution structure

#### *Executing Agency*

The Bank will execute the operation and carry out all contracting-related activities, given the need for: i) a careful prioritization of interventions so as to advance the Bank's use of country fiduciary systems, and ii) close coordination with the international development partners and the donor community. In addition, the Bank is best suited for executing this operation, given the limited size and scope of the individual interventions, primarily at the country level, and their connection to the Bank's loan portfolio and agreed-upon country strategies.

#### *Execution Structure*

Activities financed by this TC will be initiated by the countries and the FMP COF Fiduciary Specialists upon authorization from the Team Leader (TL). The FMP COF Fiduciary Specialists will manage and monitor the day-to-day operations in close coordination with the TL and other interested parties (i.e., ICS and FMM). All activities and interventions will be closed once the TL approves the evaluation of the activity/intervention.

Specifically, the following steps will be followed:

- (i) Upon receipt of the request from the intended beneficiary (government, Supreme Audit Institution, procurement agency, ministry, regional body, regulator, etc.) and agreement with the Country Representative, the FMP COF Fiduciary Specialist will complete a proposal form describing the proposed intervention or activity and possible counterpart funding, and then submit it to the TL, with a copy to IFD.

<sup>1</sup> Please see detailed information in Annex I.

- (ii) The TL will evaluate the eligibility of the proposed activity/intervention and determine the need for a peer reviewer<sup>2</sup>.
  - a) If the intervention is equal to or less than US\$70,000, the TL will be allowed to approve the intervention; or
  - b) If the intervention is greater than US\$70,000, the Division Chief must approve the intervention.
- (iii) Disbursement(s) will occur subsequent to the receipt of the activity report and in accordance with the Terms of Reference, once it has been accepted by the FMP COF Fiduciary Specialist. All activity reports will be shared with IFD.

The proposed approval structure is designed to facilitate a timely and flexible response to requests for small interventions, while guaranteeing their quality and relevance.

Disbursements management will be based on the number of requests for activities and their corresponding contracts and CMOs. This will allow for accurate monitoring of the committed activities and funds. The execution of this TC will be monitored through monthly coordination meetings with the FMP Division Chief.

## **V. Project Risks and Issues**

The following risk has been identified: (i) unforeseen political developments may delay the overall project timing and sequencing. This risk will be mitigated by the following actions: (i) continuous dialogue led by VPC management, Representatives, Fiduciary Specialists and Sector Specialists with country authorities; (ii) close coordination between the Bank and its clients and other development agencies; and (iii) the provision of timely fiduciary inputs to country strategies and programming documents. FMP will use planning and monitoring tools to ensure that the assistance/work is completed within the proposed timeframes and scope.

## **VI. Environmental and Social Classification**

The ESG classification for this TC is “C”, as there are no environmental or social risks associated with this TC’s activities.

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<sup>2</sup> In order to decide whether or not to finance the intervention, the Team Leader will take into account the following aspects: i) alignment with the Country Strategy and CPD; and ii) meet the eligibility criteria.

**Annex I – General Matrix of Current Demand from Countries**

COF	Components			Activity	Expected Results				Amount in US\$
	I	II	III		Increased use			Increased operational efficiency	
					Short-term	Med-term	Long-term		
AR		X		Support the government in strengthening its external audit system in terms of technical capacity and implementation of an audit risk module.				X	15,000
BH		X		Support the government in implementing the recently approved procurement-specific regulations.		X			20,000
BO		X		Support the government in developing an action plan to strengthen the accounting and reporting system, to address issues identified in its 2014 assessment.		X			7,000
		X		Support the government in strengthening its accounting and reporting system through the implementation of the action plan (mentioned above) to be developed as a result of the 2014 assessment.		X			35,000
		X		Continue to support the government in strengthening its internal audit function through the implementation of international standards and good practices.			X		15,000
		X		Support the government in developing electronic bidding documents for public procurements.		X		X	20,000
BR		X		Support the government in strengthening its technical knowledge on public procurement through participation in the International e-GP Conference.	X			X	15,000
		X		Support the government in strengthening its external audit function and procurement systems at the sub-national level.	X	X		X	170,000
CO		X		Support the government in strengthening its system of internal control through the implementation of international standards and good practices.		X			40,000
			X	Support the government in strengthening its accounting and reporting system for managing and reporting on projects with external financing (e.g., IDB-financed projects).		X			25,000
CR		X		Continue supporting the government in implementing the international public sector accounting standards (IPSAS) and incorporating them into the integrated financial management system.		X			128,000

COF	Components			Activity	Expected Results				Amount in US\$
	I	II	III		Increased use			Increased operational efficiency	
					Short-term	Med-term	Long-term		
CH		X		Support the government in strengthening its external audit system, including improving its technical capacity for auditing public works and concessions, as well as improving the quality of its audit reports.				X	50,000
		X		Support the government in strengthening its internal audit function, with emphasis on its collaboration and harmonization with the Supreme Audit Institution (SAI) to improve the technical quality of its audit reports.				X	30,000
DR	X			Support the government in strengthening its accounting and reporting system through implementation of the IPSAS standards.		X			100,000
EC		X		Support the government in strengthening its accounting and reporting system, with emphasis on implementing a module for managing and reporting on projects with external financing and implementation of the IPSAS standards.	X				55,000
		X		Support the government in strengthening the procurement framework agreements module.				X	50,000
ES		X		Support the government in strengthening its internal audit function.			X		50,000
	X			Support the government in strengthening its external audit system through the development of the SAI's strategic plan, in accordance with good practices.			X		25,000
		X		Support the government in strengthening its accounting and reporting system through implementation of the IPSAS standards.		X			150,000
GU		X		Support the government in strengthening its public procurement platform and designing legal reform to help promote electronic procurements.		X			40,000
GY		X		Support the government in strengthening its public procurement systems through the establishment of a Public Procurement Commission.			X		65,000
	X			Support the government in identifying procurement development priorities, as identified in the post-MAPS assessment action plan.			X		55,000

COF	Components			Activity	Expected Results				Amount in US\$
	I	II	III		Increased use			Increased operational efficiency	
					Short-term	Med-term	Long-term		
		X		Support the government in strengthening its treasury system, with emphasis on the implementation of a single treasury account.		X			12,000
	X			Support the government in strengthening its accounting and reporting system through implementation of the IPSAS standards.		X			25,000
HA		X		Support the government in strengthening its external audit system through the implementation of its action plan resulting from its 2014 assessment.			X		13,000
	X			Support the government in identifying procurement development priorities, as identified in the post-MAPS assessment action plan.			X		40,000
HO		X		Support the government in continuing to modernize the accounting and reporting system (UEPEX module) for its continued use in IDB- financed operations.				X	10,000
		X		Support the government in strengthening its external audit system through the implementation of international standards and good practices.	X				35,000
	X			Support the government in strengthening its accounting and reporting system through implementation of the IPSAS standards, and develop the technical aspects for a new treasury single account plan, which addresses the new functionalities of the integrated financial management system.	X			X	120,000
JA		X		Support the government in developing an e-GP platform.	X				50,000
PE		X		Support the government in improving general access to the public procurement market through the implementation of a business intelligence module and professionalization of the procurement function in the country.	X			X	90,000
		X		Support the government in assisting in the design of its public procurement legal reform.		X			3,000
		X		Support the government in strengthening its internal audit function through the implementation of international standards and good practices.		X			40,000

[illegible]