

## TECHNICAL COOPERATION DOCUMENT

### I. BASIC INFORMATION

<b>Country/Region:</b>	The Cooperative Republic of Guyana
<b>TC Name:</b>	Public Procurement Modernization and Financial Management Strengthening in Guyana
<b>TC Number:</b>	GY-T1112
<b>Team Leader/Members:</b>	Leslie Harper (IFD/FMM), Team Leader; Leslie Ann Edwards, (CCB/CGY); Daniel Sanchez, (IFD/FMM); Ana Cristina Calderon, (IFD/FMM); Naveen Jainauth-Umrao (FMP/CGY); Emilie Chapuis (FMP/CGY); Viviana Maya (LEG/SGO); and Marina Massini (IFD/FMM).
<b>Taxonomy:</b>	Client Support
<b>Date of TC Abstract authorization:</b>	09/26/2014
<b>Beneficiary:</b>	Cooperative Republic of Guyana
<b>Executing Agency:</b>	Ministry of Finance
<b>Donors providing funding:</b>	Window I of the Small and Vulnerable Countries fund (SVC)
<b>IDB Funding Requested:</b>	US\$740,000
<b>Local counterpart funding:</b>	US \$0
<b>Total:</b>	US\$740,000
<b>Disbursement period:</b>	36 months
<b>Execution period:</b>	34 months
<b>Required start date:</b>	December 10, 2014
<b>Types of consultants: Prepared by Unit:</b>	Firms and individual consultants IFD/FMM
<b>Unit of Disbursement Responsibility (UDR):</b>	
<b>TC Included in Country Strategy: TC included in CPD:</b>	CCB/CGY
<b>GCI-9 Sector Priority:</b>	Yes Institutions for Growth and Social Welfare

### II. OBJECTIVES AND JUSTIFICATION

- 2.1 **Objective.** The objective of this program is to assist the Government of Guyana efforts to streamline the public expenditure cycle by supporting modernization of two areas: (i) public procurement; and (ii) public financial management (PFM). The program will provide the Ministry of Finance (MoF) the tools and expertise to make more efficient the allocation and management of public resources.
- 2.2 **Justification.** Guyana's economic outlook remains strong on the back of its eighth year of economic growth in 2013, maintaining an average real Gross Domestic Product (GDP) growth of 4.3% from 2006 to 2013. The Bank, as part of the Highly Indebted Poor Country (HIPC) debt relief initiative, cancelled US\$356.5 million of Guyana's outstanding debt in 2007. This debt relief has contributed to improve the country's debt profile and increase its levels of spending focused on Guyana's poorest and most vulnerable people.

- 2.3 Additionally, the Government of Guyana has engaged in a series of governance reforms during the period 2003-2011, yielding significant improvements in key PFM areas such as accounting, recording and reporting of public expenditures.<sup>1</sup> The Government of Guyana plans to leverage these PFM gains within the implementation of the Low Carbon Development Strategy (LCDS),<sup>2</sup> which will require the streamlining of the allocation of public resources as well as increase efficiency in public procurement expenditure management.
- 2.4 The Integrated Fiduciary Assessment (IFA) which was carried out in 2013 has identified important reforms being carried out in the areas of procurement and PFM.<sup>3</sup> It provides an outline of gaps and proposed measures to improve specific areas such as comprehensiveness of budget, payroll and cash management, pensions and accounting and public procurement operations. The proposed Technical Cooperation (TC) will provide significant added value by providing a roadmap for procurement modernization, including strategic planning and introduction of electronic government procurement systems (e-GP). Additionally it will improve the Government of Guyana's public financial management by supporting the streamlining of processes and introduction of necessary technological upgrades. Finally, the TC will provide training across the board to support all activities within the operation.
- 2.5 This TC will build on the activities carried out under the Program to Enhance the Public Financial Management System (GY-T1073), which modernized PFM tools and provided the GoG with training, dissemination, and technical support studies.
- 2.6 The TC is aligned with Country Strategy 2012-2016 (GN-2690), which prioritizes the area of public sector management in order to collaborate with the Government of Guyana's efforts to continue improving PFM, as this is a key element for achievement of the LCDS goals. In addition, the TC is consistent with the Bank's target for lending to poverty reduction and to the less developed countries of the region. Finally, it also contributes to the number of public financial systems implemented or upgraded (budget, treasury, accounting, debt, procurement), result indicator for GCI-9.

### III. DESCRIPTION OF COMPONENTS AND BUDGET

- 3.1 In response to the identified problems, the TC will carry out the following activities comprised in three main components:
- 3.2 **Component I. Public Procurement modernization.** This component will provide support to improve efficiency and value for money in public procurement through strategic planning and introduction of e-GP. It includes the following activities: (i) strategic

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<sup>1</sup> This is evidenced by increasing scores in the Public Expenditure and Financial Accountability (PEFA) Framework Assessment carried out in 2013, particularly indicator PI-22: (i) Regularity of bank reconciliations and PI-25; and (ii) Timeliness of annual financial statements which increased from D to B and B to A, respectively.

<sup>2</sup> The LCDS sets out a path for achieving four strategic objectives: (i) developing infrastructure; (ii) diversifying potential low carbon productive sectors; (iii) expanding access to services for indigenous people; and (iv) enhancing services to people in Guyana.

<sup>3</sup> The IFA has two components, the PEFA and the Methodology for Assessing Procurement Systems (MAPS). The latter is pending approval of the government.

- planning for e-GP; (ii) proposal for Procurement Act and regulations update;<sup>4</sup> (iii) establishment of a complaints mechanism and debarment procedures; and (iv) training in modern procurement operations<sup>5</sup> and tools.
- 3.3 The activities supported will generate greater efficiency in the procurement processes by establishing an action plan to introduce technological tools that will contribute to a more competitive and fair public procurement market. This component will support the modernization of the regulatory framework that will enable modern procurement practices and introduction of business models that could benefit from aggregated demand (for example framework agreements). Additionally, the component will provide assistance for setting the foundation of a complaints mechanism up to international best-practice and standards.
- 3.4 **Component II. Public Financial Management strengthening.** This component will provide key technical assistance needed to streamline the allocation and management of public resources. It will finance: (i) strengthening of accounting and reporting; (ii) improvements to payroll, cash and pensions management; and (iii) training activities to support implementation of the component.
- 3.5 The activities under this component will support improvements in the processing, recording and monitoring of pension payments. Additionally it will address some efficiency gaps in payroll controls and pension management as well as improve the technical and functional competence of officers involved in these processes.
- 3.6 **Component III. Technological updates to expenditure systems.** This component will provide funding to support upgrading and implementation of technological platforms for expenditure systems. The component will finance the following: (i) Information Technology (IT) solution for public procurement; (ii) enhancements to the procurement portal; (iii) improvement in the payroll and pension automated systems (fine tuning and improving functionalities as well as training) and cash management; and (iv) overall improvements in interoperability of expenditure systems.
- 3.7 The activities mentioned above will support technological updates to the payroll and pension systems and the procurement portal, as well as the development of an IT solution for public procurement. Interoperability will be an area where special attention will be devoted as the integration of all these systems has proven to be key in the success of these type of initiatives.
- 3.8 The total funding required for the program amounts to US\$740,000 with no local counterpart funding.

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<sup>4</sup> This refers to the November 2004 Procurement Act (Act No. 8 of 2003) and Procurement (Amendment) Act 2010. The Act is supplemented by the Procurement Regulations (No. 9 of 2004) and Amending Procurement Regulations (No. 10 of 2004).

<sup>5</sup> Modern procurement operations are more efficient, transparent and effective by providing tools that aggregate demand, make processes public and accountable to citizens.

**Table 1. Indicative Budget (US\$)<sup>6</sup>**

Activities	IDB/Total Funding
Component I: Public Procurement modernization	\$195,000
Component II: Public Financial Management strengthening	\$140,000
Component III: Technological updates to expenditure systems.	\$340,000
Project coordination	\$40,000
Monitoring and Evaluation	\$15,000
Contingencies	\$10,000
<b>Total</b>	<b>\$740,000</b>

**Table 2. Indicative Results Matrix**

Results Indicators	Unit	Baseline		Goals		Means
		Value	Year	Value	Year	
<b>Outcomes</b>						
Competition, value for money and controls in procurement	PEFA Score	D+	2013	C+	2016	Indicator PI-19
Effectiveness of payroll controls	PEFA Score	C+	2011	B	2016	Indicator PI-18
Predictability in the availability of funds for commitment of expenditures	PEFA Score	C+	2013	B	2016	Indicator PI-16
<b>Outputs</b>						
Proposal for procurement and regulations update	#	0	2014	1	2018	Project files
Delivery of training program	#	0	2014	1	2018	Project files
eGP strategic plan	#	0	2014	1	2018	Project files
Technical review of current pension system	#	0	2014	1	2018	Project files
Staff trained	#	0	2014	30	2018	Project files
Development of SOP and ICM for pensions staff	#	0	2014	1	2018	Project files
Enhancements to the procurement portal implemented	#	0	2014	1	2018	Project files
Improvement of IFMAS modules	#	0	2014	1	2018	Project files
Overall improvements in interoperability of expenditure systems.	#	0	2014	1	2018	Project files

<sup>6</sup> See detailed budget ([IDBDocs#39204602](#))

- 3.9 **Monitoring.** The monitoring and evaluation of the program will be carried out by taking into account the indicators that are provided in the Result Matrix for the technical cooperation program, which include means of verification.
- 3.10 **Technical and basic responsibility.** Technical and basic responsibility for the implementation of the TC rests in the project team. Specifically, IFD/FMM will have both technical and fiduciary responsibilities for the project.

#### **IV. EXECUTING AGENCY AND EXECUTION STRUCTURE**

- 4.1 The Ministry of Finance will be the executing Agency of this program. All contracts will be carried out in accordance with the Policies for the Procurement of Goods and Works Financed by IDB (GN-2349-9), and Policies for the Selection and Contracting of Consultants Financed by the IDB (GN-2350-9).

#### **V. OTHER KEY ISSUES AND RISKS**

- 5.1 There is a risk that the activities could be delayed given the lack of adoption of new tools and support from public officials. This will be mitigated by: (i) training programs; and (ii) awareness campaigns. There are no integrity clauses or special intellectual property agreements that need to be included in TC agreement.

#### **VI. ENVIRONMENTAL AND SOCIAL STRATEGY**

- 6.1 No negative environmental impact is anticipated from this technical cooperation. Based on the Safeguard Policy Filter Report, the project does not require a classification or further environmental or social actions. According to the Environment and Safeguards Compliance Policy (OP-703) this TC has been classified as Category C (see Safeguard Filters [IDBDocs#39204699](#) and [IDBDocs#39204702](#)).

#### **Required Annexes:**

- Annex I - [Request Letter](#)  
Annex II - [Terms of Reference](#)  
Annex III - [Procurement Plan](#)

**PUBLIC PROCUREMENT MODERNIZATION AND FINANCIAL MANAGEMENT  
STRENGTHENING IN GUYANA**

**GY-T1112**

**CERTIFICATION**

I hereby certify that this operation was approved for financing under the Small and Vulnerable Countries Program (SVC) through a communication dated on September 26, 2014 signed by Nadine Schiavi (ORP/GCM). Also, I certify that resources from the Small and Vulnerable Countries Program (SVC) are available for up to US\$740,000 in order to finance the activities described and budgeted in this document. **Please note that the approval of this operation must be obtained before December 17, 2014.** The commitment and disbursement of these resources shall be made only by the Bank in US Dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.

*Original Signed*

*December 15, 2014*

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Sonia M. Rivera  
Chief  
Grants and Co-Financing Management Unit  
ORP/GCM

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Date

**APPROVAL**

Approved by : *Original Signed*

*December 16, 2014*

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Vicente Fretes  
Division Chief  
Fiscal and Municipal Management Division  
IFD/FMM

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Date