

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BARBADOS

PUBLIC SECTOR MODERNIZATION PROGRAMME

(BA-L1046)

LOAN PROPOSAL

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ABBREVIATIONS	
ACSI	American Customer Satisfaction Index
AOP	Annual Operating Plan
BERT	Barbados Economic Recovery and Transformation
CERT	Computer Emergency Readiness Team
CPE	Country Program Evaluation
IDB	Inter-American Development Bank
EA	Executing Agency
EFF	Extended Fund Facility
EU	European Union
GCI	World Economic Forum's Global Competitiveness Index
GDP	Gross Domestic Product
GHG	Green House Gases
HR	Human Resource
HRIS	HR Information Systems
HRM	Human Resources Management
ICT	Information Communication Technology
IMF	International Monetary Fund
IRR	Internal Rate of Return
MIST	Ministry of Innovation, Science and Smart Technology
MFEI	Ministry of Finance, Economic Affairs and Investment
MDB	Multilateral Development Banks
MPS	Ministry of the Public Service
M&E	Monitoring and Evaluation
NPV	Net Present Value
OPSR	Office of Public Sector Reform
OVE	IDB Office of Evaluation and Oversight
PAD	Personnel Administration Division
PEU	Project Execution Unit
PIU	Public Investment Unit
POM	Project Operational Manual
PP	Procurement Plan
PRDS	Performance Review and Development System
PSC	Public Service Commission
PSIP	Public Sector Investment Programme
RM	Results Matrix
SDMC	Strategic Decision-Making Committee
SOC	Security Operating Center
SWP	Strategic Workforce Planning
TAD	Training Administration Division
TAT	Technical Advisory Team
WGI	Worldwide Government Indicators

**PROJECT SUMMARY
BARBADOS
PUBLIC SECTOR MODERNIZATION PROGRAMME
(BA-L1046)**

Financial Terms and Conditions				
Borrower			Flexible Financing Facility^(a)	
Government of Barbados			Amortization Period:	25 Years
Executing Agency			Disbursement Period:	4 Years
Ministry of Innovation, Science and Smart Technology (MIST)			Grace Period:	5.5 Years ^(b)
Source	Amount (US\$)	%	Interest rate:	LIBOR Based
IDB (Ordinary Capital):	40,000,000	100	Credit Fee:	(c)
			Inspection and supervision fee:	(c)
Total:	40,000,000	100	Weighted Average Life (WAL):	15.25 Years
			Currency of Approval:	Dollars of the United States of America
Project at a Glance				
Project Objective/Description: The main objective of this operation is to improve the effectiveness of the Government of Barbados to enhance the competitiveness of its economy. This will be achieved through: (i) increasing the adoption of the digital channel to access public services by individuals and businesses; and (ii) an enhancement of the efficiency in the civil service and strengthening the skills in the public sector for a digital economy.				
Special Contractual Clauses prior to the First Disbursement: The Executing Agency (EA) will provide evidence to the satisfaction of the Bank of: (i) the establishment of the Project Execution Unit (PEU), including the assignment or hiring of the PEU's personnel responsible for managing the project, including a project manager, a financial specialist, a monitoring and evaluation specialist, a change management specialist and a procurement specialist; (ii) the establishment of the Strategic Decision-Making Committee, comprising at least, representatives of the EA, the Ministry of the Public Service (MPS), and the Ministry of Finance, Economic Affairs and Investment (MFEI), including a definition of their roles and responsibilities in the project's oversight; and (iii) its approval of the Project Operational Manual (POM) , in accordance with the terms previously agreed upon with the Bank (¶3.8).				
Exceptions to Bank Policies: None.				
Strategic Alignment				
Challenges^(d):	SI	<input checked="" type="checkbox"/>	PI	<input checked="" type="checkbox"/>
			EI	<input type="checkbox"/>
Cross-Cutting Themes^(e):	GD	<input checked="" type="checkbox"/>	CC	<input checked="" type="checkbox"/>
			IC	<input checked="" type="checkbox"/>

^(a) Under the Flexible Financing Facility (document FN-655-1), the borrower has the option to request modifications to the amortization schedule, as well as currency, interest rate and commodity conversions. In considering such requests, the Bank will take into account operational and risk management considerations.

^(b) Under the flexible repayment options of the Flexible Financing Facility (FFF), changes in the grace period are possible as long the Original Weighted Average Life (WAL) and the last payment date, as documented in the loan agreement, are not exceeded.

^(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the Bank's lending charges, in accordance with the relevant policies.

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and justification

- 1.1 **In the decade following the 2008 financial crisis, Barbados has faced serious economic challenges, including low growth, a steady rise in debt and low levels of international reserves.** An average Gross Domestic Product (GDP) growth rate of 0% between 2010 and 2017,¹ coupled with recurring government fiscal deficits, resulted in a rapid accumulation of debt, reaching over 155% of GDP in the first half of 2018.² The rising debt-to-GDP ratio, together with recurring current account deficits, led to a steady decline of international reserves, which reached 6.1 weeks of imports at the close of 2017. Consequently, the government presented an ambitious fiscal reform program in August 2018, the Barbados Economic Recovery and Transformation (BERT) program.³ The BERT includes fiscal adjustment reforms, debt restructuring, growth enhancing measures and economic reform policies.
- 1.2 **The BERT is the foundation for a four-year Extended Fund Facility (EFF) program with the International Monetary Fund (IMF), signed in October 2018, which is improving the fiscal stance.** The US\$290 million IMF program triggered US\$175 million macroeconomic support provided by the Inter-American Development Bank (IDB) and the Caribbean Development Bank in the last quarter of 2018, which contributed to a rise in international reserves, reaching 14 weeks of import cover in the first quarter of 2019. The domestic debt restructuring, completed in October 2018, resulted in a rapid reduction of the debt-to-GDP ratio, which reached 126.9% of GDP at the close of 2018. The consequential reduction in interest payments, together with the fiscal adjustment measures implemented in 2018, led to an improvement of the fiscal balance from -4.3 of GDP in 2017 to -0.2% in 2018, whilst the primary fiscal balance remained at 3.3% of GDP in 2017 and 2018. Fiscal consolidation will continue throughout FY2019/20, targeting a primary fiscal balance of 6% of GDP.
- 1.3 **Further structural reforms will be implemented throughout 2019 to tackle key constraints to growth and enhance the country's competitiveness.** Inherent structural challenges to growth in the Barbadian economy include a weak business environment, limited diversification of the economy and falling productivity and competitiveness.⁴ As stated by the authorities, improving government effectiveness will be key to tackle these challenges and to reduce the time and cost of providing public services, improve data availability for evidence-based policy and tackle burdensome levels of bureaucracy and red tape. Therefore, a key component of the proposed measures under the BERT will aim to reform the government towards a more modern and efficient public sector that enables growth, through: (i) the utilization of Information Communication Technology (ICT)

¹ Barbados Statistical Services estimates, October 2018.

² Central Bank of Barbados Review of the Economy January-June 2018.

³ BERT was developed by the Government of Barbados with public input and in close consultation with the Social Partnership (which includes representatives from civil society, private sector, the government and the unions), in order to ensure that the burden of adjustment is shared across the different social agents.

⁴ IDB, "Development Challenges in the Caribbean", Caribbean Region Quarterly Bulletin, Volume 7, Issue 3, September 2018.

to improve productivity, enhance business facilitation and be more customer-centric; (ii) a review of government staffing to better leverage its Human Resource (HR) capacity; and (iii) the adoption of measures to promote investment, entrepreneurship and innovation.⁵

1.4 All the measures being implemented by the government are critical, as Barbados' Government effectiveness has been deteriorating over the years.⁶

While the country scored 1.33 in 2007, it declined to 0.84 in 2017 for government effectiveness on the Worldwide Government Indicators (WGI).⁷ This has influenced the country's international competitiveness.⁸ Despite the fact that Barbados was ranked 91/189 in the 2014 Doing Business Report, above Jamaica (94th), it ranked 129/190 countries in 2019. Similarly, while the country scored 4.42 in the 2013-2014 World Economic Forum's Global Competitiveness Index (GCI), it scored 4.2 in the 2016/2017 edition. Although Barbados scores better on the GCI than other countries in the Caribbean like Jamaica and Trinidad and Tobago, it is still very far from other countries in the region like Panama, Mexico, Costa Rica, Colombia or Peru.⁹ Moreover, "Inefficient government bureaucracy" was identified as the second most problematic factor for doing business in Barbados according to the 2016/2017 GCI.¹⁰

1.5 The burden of dealing with a public sector that is largely paper-based and highly bureaucratic has affected Barbados's competitiveness.

The relationship between competitiveness and the implementation of ICTs in government has been well-established.¹¹ Digital technologies are essential to reduce costs, speed-up and facilitate government transactions. In return, this generates benefits in terms of inclusion, efficiency and innovation.^{12, 13} Red tape is a cost for companies and individuals in terms of reduced productivity and innovation.^{14, 15} Additionally, the bureaucracy in the public sector adds extra costs to the regular costs of operating a business,¹⁶ and becomes a deterrent for entrepreneurial activity. Time-consuming government procedures are even more onerous for the vulnerable populations and low-income families who lose income due to the time and money spent in transportation and waiting in lines to access

⁵ Further compounding these fiscal and structural challenges, the growing consequences of climate change endanger the country's developmental achievements and growth factors, including its investments in infrastructure.

⁶ Government effectiveness captures perceptions of the quality of public services, the quality of the civil service, the quality of policy formulation and implementation, and excessive bureaucracy/red tape.

⁷ Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance. [Worldwide Governance Indicators by the World Bank \(2017\)](#).

⁸ Please see ¶1.5 and 1.6 for the link between government effectiveness and competitiveness.

⁹ Jamaica: 4.43; Trinidad and Tobago: 4.37; Panama: 5.15; Mexico: 4.56; Costa Rica: 4.70; Peru: 4.43; Colombia: 4.35.

¹⁰ [GCI by the World Economic Forum \(2016/2017\)](#).

¹¹ Srivastava S., and Thompson S.H. Teo (2008), "[The Relationship between E-Government and National Competitiveness: The Moderating Influence of Environmental Factors](#)".

¹² Lichtenberg (1994) states that the information systems increase the effectivity of employees, in fact, computer capital and labor jointly, contribute about 21% of output.

¹³ World Bank (2016), "Digital Dividends: World Development Report".

¹⁴ Ciccone, A. et al. (2007), "Red Tape and Delayed Entry", Journal of the European Economic Association.

¹⁵ [OECD Policy Brief. January 2007](#).

¹⁶ Michael Porter et al. (2010), "The Global Competitiveness Report 2009-10", Chapter 1.2 "Moving to a New Global Competitiveness Index". World Economic Forum, Geneva.

public services.¹⁷ According to a recent survey done by Transparency International and the IDB,¹⁸ a citizen in Barbados spends on average 4.8 hours completing one public transaction. This is higher than the Caribbean average (4.3 hours) and it is the second highest of the Caribbean, after Guyana (5.9 hours). Of all the public transactions made by individuals in Barbados, 25% were related to civil registration or ID services, 27% were drivers' licenses or other transport related services, and 14% were related to paying taxes, public health insurance or contributions to social security. Additionally, 17% of all transactions required more than three visits or interactions with public offices before they were finalized.

1.6 **Weaknesses in the civil service have also important consequences on investment decisions by companies and competitiveness.**¹⁹ The predictability and efficiency of business interactions with the government, at the moment of paying taxes, getting licenses, and registering a business play a critical role on their investment decisions. A lean public administration, with the right skills, that efficiently provides public good and services, and the amount of public resources it absorbs affects productivity and competitiveness.²⁰ Setting the foundations for a better provision of services for individuals and businesses, implementing a comprehensive digital strategy, and addressing the structural inefficiencies in the civil service,²¹ could help the Government of Barbados to improve its fiscal position, while decreasing the costs of interacting with government for both companies and individuals, and boosting the competitiveness of the economy.

1.7 **In this context, modernizing the public sector has become a clear priority for the government.** Modernization has been approached as a reform of the government's human resource management, as well as a digital transformation of the public sector. This should result in a transformation of how the public sector operates and delivers services for the citizens. Under the Barbados Labour Party manifesto the government has outlined on the pillars of "rebuilding the economy, financing national transformation" and "making government work for all Bajans - good governance", digitizing government, doing business with ease and public sector management, as key areas for intervention. Under these areas, the following critical activities have been highlighted: (i) rebuilding a professional public service suited to delivering on the vision, policy directions and innovations; (ii) prioritizing the effective use of technology within the public service to increase accountability, eliminate unnecessary duplication, bureaucracy, wastage and corruption; and (iii) using technology to improve the quality and speed of the delivery of high-demand services.²²

¹⁷ A study conducted by the IDB in Bolivia (2016) based on the Standard Cost Model methodology used by the European Union (EU) concluded that registering a property costed on average seven basic monthly salaries. Gustavo Medeiros et al. (2016), "Measuring Administrative Burden in Bolivia: Results and proposals for simplification" (in Spanish).

¹⁸ IDB, "Wait No More: Citizens, Red Tape and Digital Government - Caribbean Edition." Forthcoming.

¹⁹ World Economic Forum (2011), "Global Competitiveness Report 2011-2012", World Economic Forum-- Centre for Global Competitiveness and Performance, Geneva.

²⁰ European Commission (2007), "Action Programme for Reducing Administrative Burdens in the EU. Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions", COM (2007) 23.

²¹ For more detail on these structural deficiencies please see ¶1.9(b).

²² Barbados Labour Party (2018), "[The People's Manifesto: Building: The Best Barbados Together](#)".

- 1.8 **Additionally, since 2018, institutional reforms have been put in place to strengthen ICT and human resource management in the public sector.** On the one hand, the Ministry of Innovation, Science and Smart Technology (MIST) was created. The creation of this ministry aims to ensure a cohesive institutional framework for ICT, by combining in one agency the functions of the National Council on Science and Technology, the Data Processing Department, the E-Government Unit, Telecommunications Unit and the Office of Public Sector Reform (OPSR).^{23, 24} On the other hand, prior to May 2018 there were three major entities that were tasked with the management of the HR function within the public service –namely the Public Service Commission (PSC), the Personnel Administration Division (PAD) and the Training Administration Division (TAD). On January 2019, human resources management was merged under the Ministry of the Public Service (MPS). It is anticipated that the new structure and unified leadership will enhance coordination and efficiency of the Human Resources Management (HRM) functions within the public service.²⁵ These institutional reforms set the stage for an ambitious modernization program aimed at increasing the effectiveness of the government.
- 1.9 **The main problem identified in this operation is the low effectiveness of Barbados' Government which affects the competitiveness of the economy.** The main causes of this are: (i) limited use of digital channels to deliver public services to individuals and businesses; and (ii) an inefficient civil service and limited skills in the public sector for a digital economy.
- a. **Limited use of digital channels to deliver public services to individuals and businesses.** None of the government transactions can currently be done completely online.²⁶ Services are fragmented, paper-based and to access them individuals and businesses must complete transactions in different entities that increases the transactional costs of accessing and proving public services. Some examples of the costs associated with this problem are: the police certificate of character, a process that takes around 56 days, is usually required in order to get a new job; registering a property requires six steps and takes 105 days;²⁷ and issuing a driver's license for commercial purposes takes approximately three months and is a process entirely done on paper. Furthermore, there is a limited use of digital data for timely decision-making.

²³ The government is also planning to establish a Cybersecurity Department under the MIST, to lead and coordinate the cybersecurity strategy for Barbados.

²⁴ The new responsibilities of the MIST were outlined in the document: "Assignment of Responsibility for the Business of Government Under Section 72 (1) of the Constitution with Effect from 28th May 2018".

²⁵ A study done by the IDB "Building State Capacity in the Caribbean: The State of the Civil Service in Barbados" highlighted the absence of institutional mechanism for coordination between MCS, PAD, and TAD and for formal strategic coordination of HR development and management. In Addition, another study by the EU in 2016, "Consultancy to inform the Institutional Strengthening of the Ministry of the Civil Service in Barbados", highlighted the need for not only restructuring of the MCS as it is presently was organized but also the need for an integration of HR units (MCS, Personnel Administration Division and Training Administration Division) as well as closer collaboration among all those institutions having responsibilities related to HR functions that extend across the public service. This should lead to enhancing coordination and efficiency in HR management.

²⁶ Source: MIST, 2018.

²⁷ In Estonia this same procedure takes 3 steps and 17.5 days, or in Jamaica this procedure only takes 18 days. Estonia has been ranked first in 2016 EU digital government ranking (2016) and has all but three services online.

For instance, no unit in the government is using a digital platform to monitor investment projects in real-time that hampers the efficiency of their managerial capabilities and their speed to take corrective actions when needed.²⁸ The main determinants associated with this specific problem are: (i) an outdated national digital strategy, dating back to 2006; (ii) the low online service provision;²⁹ (iii) inadequate ICT infrastructure for integrated digital services, with a very limited number of ministries currently using the government data center;³⁰ and (iv) only around 4% of the status reports on investment projects are received electronically and with a lag of around 45 to 60 days.³¹

- b. **Inefficiencies in the civil service and limited skills in the public sector for a digital economy.** According to a recent civil service management assessment, local stakeholders described the Barbados public service as overstaffed and under-productive.³² The civil service is one of the largest sources of employment in Barbados, reaching approximately 11% of the total employment pool in Barbados in fiscal year 2018/19.³³ Furthermore, Barbados lowest score in the assessment was on efficiency, with a score of 16/100,³⁴ indicating that there is significant scope for improvement in areas related to workforce planning and the overall cost of civil service. In particular, the scores related to HR information systems and the existence and pertinence of training plans,^{35, 36} are weak areas for the public sector in Barbados. Other areas such as job profiles considering competencies as key aspects for job holder's performance could be strengthened.³⁷ A lack of adequate human talent prevents the public sector to move towards its productivity frontier and maintains in the public sector workforce, human resources that might be more productive in other segments of the economy. Despite these weaknesses in the civil service, Barbados scores 80/100 in diversity management, which recognizes that there is fair access to

²⁸ Source: Public Investment Unit (PIU), 2019.

²⁹ Information provided by the MIST.

³⁰ Only 20 of 145 Government Ministries, Departments and Agencies host some of their applications in the government data center (normally only websites). Out of those 20 only three entities host critical applications in the government data center (Fire Service, Child Care Board and Ministry of Agriculture). Source: MIST, 2019.

³¹ Information provided by the PIU.

³² Underwood, J. (2018), "Building State Capacity in the Caribbean: The State of the Civil Service in Barbados", IDB Technical Note N-1491, Washington.

³³ This figure includes direct permanent employees of the central government. An estimated additional 13% of the total employment pool are temporary and state-owned enterprises employees. Source: Emoluments Book.

³⁴ This indicator evaluates the degree to which investment in human capital has been optimized in the public service system, as well as its congruence with fiscal expenditure allocations and with the situation in the reference markets.

³⁵ Barbados scores 1/5 in the Indicator 2 of the Structural Consistency Index, which reflects a limited availability of human resource information and immaturity in the development of Information systems. This indicator measures whether the HR Information Systems (HRIS) enable a reasonable awareness of the quantitative and qualitative resources available, now and in the future, in the different organizational areas and units.

³⁶ Barbados scores 0/5 in the indicator 26 of Structural Consistency Index, indicates that there are no systemic assessments of training requirements. The indicator measures whether investment in training is made via plans that are based on a needs assessment and designed to support the organization's stated priorities.

³⁷ Barbados scores 3/5 in the Indicator 9 of the Functional Capacity Index, which indicates that the profiles required to fill the vacancies in most public organizations are defined, but with a strong emphasis on formal qualifications. The indicator measures whether job profiles include the selection of competencies that in each case are considered key for the success of the job-holder's performance.

employment and/or advancement opportunities in the civil service for people of all races, ethnicity, languages, gender or disabilities.³⁸ The Constitution and the Employment Code in Barbados provide a strong legal framework for safeguarding employees' rights. Nevertheless, public sector employees think that there could be greater transparency.³⁹ In order to maintain and raise this score, the implementation of key activities like equitable and inclusive recruitment guidelines and inclusive HR strategies that are currently not in place, will be essential. Furthermore, there is a gap on the data available on public sector employees, which lacks important information on aspects like staff training, certification or special needs. The main determinants related to this specific problem are: (i) the HR misalignment to organizational requirements, with job profiles being only minimally consistent with the government and the individual ministries' strategic priorities and a lack of strategic HR plans by ministries, scoring only 24/100 in HR planning;⁴⁰ (ii) the low availability of HR data for decision making, with an HR system that is designed for financial management with no basic HR modules such as "leave management" and a paper-based performance management system that operates independently;⁴¹ and (iii) limited skills in the public service for a digital government and a digital economy.⁴²

- 1.10 **Bank experience and lessons learned.** This project will build on the Bank's experience in other projects and analytical work to improve public service delivery, human resources management in the public sector, public sector efficiency and e-Government.⁴³ Among them: Government Digital Transformation To Strengthen Competitiveness (4549/OC-BH) in The Bahamas; Support to the Public Sector Transformation Programme (4373/OC-JA), the Implementation of the National Identification System (NIDS) for economic growth (4437/OC-JA), Public Sector Efficiency Programme (3121/OC-JA,3122/CH-JA) in Jamaica; Improving and Increasing Government Services to Citizens and Businesses at a National Level (4399/OC-PE) in Peru; Programmes to Support Electronic Government in Uruguay I and II (1970/OC-UR and 2591/OC UR); Programme to Improve Public Management and Citizen Services in Chile (3298/OC CH); Panama Online (3683/OC-PN); Public Administration Institutional Reform Programme (2653/OC-EC) and Programme to Improve Citizen Service management (3073/OC-EC) in Ecuador; Tax Administration and Institutional and Operational Strengthening (3541/BL-HO) in Honduras; and Citizen Service Efficiency Project (3154/OC-CO) in Colombia.

³⁸ Underwood, J. (2018), "Building State Capacity in the Caribbean: The State of the Civil Service in Barbados", IDB Technical Note N-1491, Washington.

³⁹ Underwood (2018), op. cit.

⁴⁰ Underwood (2018), op. cit.

⁴¹ The paper-based Performance Review and Development System (PRDS) has only been implemented by 1/3 of ministries and the HR modules of the Smart Stream (the information system used in Barbados for financial management, which includes some HR modules) are only utilized by 25% of the ministries.

⁴² In a Skills Gap Analysis done in Ministries, Departments and Agencies across the public sector, 67% of the Administrative Leadership responded that the competency related to being "Digital Savvy/Literacy" was only demonstrated "half the time" and "seldom demonstrated". Underwood J. (2019), [Skills Gap Report](#).

⁴³ IDB (2018), [Wait no more: Citizens, Red Tape and Digital Government](#); IDB (2016), [Simplifying lives](#); IDB (2016) [Useful Governments](#); IDB (2016), [Mission Impossible? How to Achieve Better Results in Health and Education Through Better Management of Human Resources](#); Underwood (2018).

- 1.11 The implementation of the above-mentioned projects and other initiatives related to digital transformation and public sector reform allowed the Bank to learn valuable lessons, among them: (i) digital transformation in public administration requires a well-defined governance structure that engages all relevant stakeholders and assigns specific roles to each of them and a clear roadmap and strategy; (ii) the design of digital solutions for public management must promote the participation of the different governmental agencies to strengthen the operational and institutional framework; (iii) making government services available online will not guarantee the use of them, there is a need to promote the offer in order to make the population aware of them; (iv) procuring ICT products and services is complex due to their changing nature and the high technicality and standards requirements, which makes critical to count on good technical support throughout the procurement process; (v) although digital transformation projects are technology oriented, they are led, developed and used by humans, therefore it is of great importance to implement as early as possible in the project a well-planned change management strategy; (vi) ownership of reforms and high level leadership is essential for the success of public sector transformation; and (vii) it is critical that the government sets-up governance instances to establish interoperability standards in e-Government project.
- 1.12 The proposed execution arrangements for this project are based on the guidance from IDB Office of Evaluation and Oversight's (OVE) Country Program Evaluation (CPE): Barbados 2014-2018 regarding the execution of projects in Barbados and also best practices experienced in the execution of other projects. As indicated in the CPE, OVE found that approximately half of the projects executed in Barbados continue to be affected by issues of interagency coordination.⁴⁴ Based on this result, special attention was given to the model of the executing structure of this project and the following arrangements were put in place: (i) a Strategic Decision-Making Committee (SDMC), which will be responsible for providing oversight and strategic direction and recommendations, as well as to ensure the coordination of government agencies and other initiatives; (ii) memorandums of understanding between the EA and the agencies involved in the execution of the project detailing their role and responsibilities under the project; and (iii) a Technical Advisory Team (TAT) which will support the coordination in terms of interoperability standards and norms, digitization procedures and guidelines, which are critical components of the project (see [Implementation Arrangements](#)).
- 1.13 **Complementarity with other projects in the IDB portfolio in Barbados.** Through the establishment of an e-Government Strategy and the standards for digitization and interoperability in the government, this project will complement sectorial efforts of digitization being supported by the IDB through the projects "Skills for the Future" (2739/OC-BA) and "Strengthening Human and Social Development in Barbados" (3542/CH-BA; 3542/OC-BA). Furthermore, this project will also facilitate the access to services that are critical to the private sector, improving the business climate and complementing the activities of the "Enhanced Access to Credit for Productivity Project" (3389/OC-BA; 3390/CH-BA) and

⁴⁴ For instance, the 3542/CH-BA; 3542/OC-BA has disbursed only 10% of the total loan amount after three years of execution and is facing implementation challenges mainly due to inter-agency coordination.

Compete Caribbean.⁴⁵

- 1.14 **Coordination with other Multilateral Development Banks (MDB).** The project is also aligned with the IMF's Extended Arrangement under the EFF for Barbados, particularly the project is consistent with the "structural reforms to support growth" pillar, which seeks to address weaknesses in the business climate.
- 1.15 **Country Alignment.** This project is aligned with the strategic goals two and five, of the National Strategic Plan of Barbados 2005-2025, namely "New Governance for New Times" and "Enhancing Barbados' Prosperity and Competitiveness". Moreover, the project is aligned with key measures of the BERT, reinforced in the Budget and Financial Statement Speech, that aim to reform the government towards a more modern and efficient public sector that enables growth, through: (i) the utilization of ICT to improve productivity, enhance business facilitation and be more customer-centric; (ii) a review of government staffing to better leverage its HR capacity; and (iii) the adoption of measures to promote investment, entrepreneurship and innovation.
- 1.16 **Strategic Alignment.** This project is also aligned with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) as it is aligned with the development challenges of: (i) Social Inclusion and Equality by providing inclusive services (access and quality) in different sectors; and (ii) Productivity and Innovation by supporting the development of work relevant skills throughout the life cycle of public sector workers and the application of information technology to both drive public sector modernization, as well as make the delivery of public services more effective, efficient and transparent. This project is also strategically aligned with the cross-cutting themes of: (i) Gender Equality and Diversity by reducing inequality and promoting fair access to employment and/or advancement opportunities in the civil service for people of all races, ethnicity, languages, gender or disabilities; (ii) Climate Change and Environmental Sustainability by including climate-driven green procurement considerations, as well as climate-driven considerations in the development of the country's digital strategy and standards, thus aligned with ¶2.45 of the Climate Change Sector Framework Document (GN-2835-8). According to the [joint MDB approach](#) on climate finance tracking, 8.21% of total IDB funding for this operation result in climate change mitigation and adaptation activities (see [Climate Change Annex](#)). This contributes to the IDBG's climate finance goal of 30% of combined IDB and IDB Invest operational approvals by year's end 2020; and (iii) Institutional Capacity and the Rule of Law by improving the quality of public services through digitization, as well as the quality of the civil service through the enhancement of HR planning and training. Additionally, the project will contribute to the Corporate Results Framework (CRF) 2016-2019 (GN-2727-6) output indicators of: (i) government agencies benefitting from projects that strengthen technological and managerial tools to improve public service delivery; and (ii) public registries strengthened. The project is also aligned with the Sector Strategy on Institutions for Growth and Social Welfare

⁴⁵ Compete Caribbean is a private sector development programme delivering innovative and practical solutions that stimulate economic growth, increase productivity and foster innovation and competitiveness. This project will complement this programme by improving business climate and supporting the access to public sector services by the private sector (like registering a business or obtaining work permits). It constitutes a partnership between the Caribbean Development Bank, the IDB and the United Kingdom Department for International Development.

(GN-2587-2), in the area of improving the provision and utilization of resources for growth and social welfare. This project is directly linked to the 2019-2023 IDB Group Country Strategy with Barbados (GN-2953-1), through the strategic objectives of: (i) strengthening the institutional framework by supporting public sector management and public financial management system; and (ii) promoting a greater digitization of government, directly contributing to proposed interventions of strengthening public sector management and public financial management systems and implementing a public sector digital strategy. Finally, the project is included in the Update of Annex III of the 2019 Operational Program Report (GN-2948-2)

B. Objective, components, and cost

1.17 **Project Objective.** The main objective of this operation is to improve the effectiveness of the Government of Barbados to enhance the competitiveness of its economy. This will be achieved through: (i) increasing the adoption of the digital channel to access public services by individuals and businesses; and (ii) an enhancement of the efficiency in the civil service and strengthening the skills in the public sector for a digital economy.

1.18 **Component 1. Government digital transformation and service quality improvement (US\$30.5 million).** This component will finance:

- a. **Subcomponent 1.1. Design and implementation of an updated national digital strategy.**⁴⁶ This subcomponent will finance: (i) support for the design and implementation of an updated eGovernment strategy,⁴⁷ including the development of standards, as well as legal and regulatory reviews and training and capacity strengthening of public sector employees on e-Government;⁴⁸ (ii) strengthening of the MIST and the Ministry of Finance, Economic Affairs and Investment (MFEI) to lead digital transformation in government; (iii) creation of a digital team,⁴⁹ including the design of the profiles for the team, training in digital technologies, open innovation, service design, data analytics, and process reengineering, among others;⁵⁰ and (iv) support for the design and implementation of a cybersecurity strategy, including assistance in the establishment of a Security Operating Center (SOC),⁵¹ cybersecurity training across the government and the private sector to improve awareness

⁴⁶ In the area of quality of public services, according to recent empirical studies in the United States and in Latin America and the Caribbean, a stronger digital government contributes to an increase in citizen satisfaction with public services. See: IDB (2016), "Simplifying Lives: Quality and Satisfaction in Public Services", and American Customer Satisfaction Index (ACSI) (2016), Federal Government Report 2016.

⁴⁷ The government's current national digital strategy dates back to 2006, which requires to be updated and aligned to the Government's strategy and priorities.

⁴⁸ Public sector employees directly involved in the provision of services including in Subcomponent 2.2 will be prioritized.

⁴⁹ This team will operate under the MIST. For sustainability reasons, the project will not be financing the salaries of the team but will focus on capacity building. This team will work in the agencies that have services that will be digitized and will focus on supporting the digitization process, including the implementation of business process reengineering and change management activities.

⁵⁰ This will include also the development of a procurement policy for ICT that considers climate change considerations both in terms of resilience to extreme weather events (adaptation) as well as in terms of energy efficiency measures (mitigation) requirements (and Green House Gases (GHG) analysis).

⁵¹ This includes exploring operating models adapted to Barbados, that could include outsourcing.

and preventive measures, and training for the Computer Emergency Readiness Team (CERT).⁵²

- b. **Subcomponent 1.2. Implementation of online services for businesses and individuals.**⁵³ This subcomponent will include: (i) the implementation of a one-stop-shop for online services,⁵⁴ including common services for digital transactions,⁵⁵ process reengineering and digitization of at least 10 services,⁵⁶ the development of standard operating procedures for the digitization in government agencies, which could lead to reduction in GHG emissions from dematerialization (as less paper is used) and a reduction in transportation (as fewer trips to public offices are needed);^{57,58} and (ii) the design and implementation of a digital education programme (Digital Ambassadors Programme) for individuals and businesses.⁵⁹
- c. **Subcomponent 1.3. Core digital infrastructure for online service provision.** This subcomponent will include upgrading the government ICT infrastructure, including an upgrade of the central data center,⁶⁰ hardware for government agencies, and service kiosks for digital services located in existing government offices.
- d. **Subcomponent 1.4. Implementation of a Digital Document and Records Management System.** This subcomponent will include a Digital Document and Records Management System,⁶¹ including the digitization of paper-based records.^{62 63}

⁵² Through these activities, the project will design a strategy and prepare the main implementation entities (SOC and CERT).

⁵³ This activity does not include construction; it will include adequation of spaces, as well as purchasing software and hardware.

⁵⁴ Government services portals such as UK.gov in the United Kingdom have improved satisfaction and generated savings by gradually digitizing transactions. Savings for the first 18 months were estimated in US\$270 million. In addition, some transactions like registering to vote went from 0% of digital transactions to 82% during the same period, reflecting the individual's preference for a virtual channel (Source: gov.uk). In the case of Peru, the recently launched portal gov.pe had over 22,000 visits in its first three weeks, and individuals provided over 2,500 messages of positive feedback (Source: Government of Peru).

⁵⁵ This includes payment platform, interoperability platform for government services, and digital identity verification.

⁵⁶ The first group of services to be digitized include: (i) renewing drivers' licenses; (ii) applying for passports; (iii) applying for a work permit; (iv) Town and Country Planning applications; (v) liquor and public entertainment licenses; (vi) police clearance certificate (police certificate of character); (vii) payment and collection of money for maintenance; (viii) ticketing and fines for traffic offences; (ix) births and deaths certificates; and (x) registering a new business. The services prioritized consist on a combination of services aimed at improving the ease of doing business in the country (registering a new business, applying for a work permit, police clearance certificate, licenses, Town and Country Planning applications), and a list of services most demanded by individuals (driver's license, passports, maintenance, traffic offenses, and birth and death registration).

⁵⁷ It is expected that these reductions in GHG will be greater than the additional GHG emissions associated with the increase in electricity consumption from the digital equipment used to provide the services.

⁵⁸ The reengineering and digitization of these services will create a more efficient use of public resources, lowering operational costs by replacing labor intensive processes for digital ones.

⁵⁹ The objective of this activity is to help individuals and businesses to use digital services.

⁶⁰ Including climate resilience and energy efficiency considerations.

⁶¹ There is a possible GHG benefit from dematerialization in this activity.

⁶² The physical records related to the services to be digitized under Component 2 will be prioritized.

⁶³ By reducing the use of paper these activities are typically associated with climate benefits, due to the reduction in in the GHG emissions associated with paper production (paper production is an energy and emissions

- e. **Subcomponent 1.5. Strengthening of the managerial efficiency and monitoring of investment projects.** This subcomponent will finance the strengthening of the newly established Competitiveness and Development Effectiveness Unit and the PIU^{64, 65}; including the acquisition of a dashboard for public investment projects.
- 1.19 **Component 2. Enhancing HR management in the public sector (US\$6 million).** This component will finance:⁶⁶
- a. **Subcomponent 2.1. Workforce planning.** This subcomponent will finance: (i) functional reviews of at least six ministries and implementation of activities resulting from the reviews;⁶⁷ and (ii) HR Transformation Strategy with a gender and diversity focus,⁶⁸ including supporting the development of a new HR model, strengthening activities for HR policy formulation and management across the central government level, Strategic Workforce Planning (SWP) for HR management and practitioners, and specialized training in areas like career planning, succession planning, leadership and HR auditing for compliance in exercise of delegated authority.
 - b. **Subcomponent 2.2. Skills for a high performing public service.** This subcomponent will include: (i) assessment of training needs, development of a public sector training plan and training and upskilling for public sector employees, including training in disruptive technologies in public administration;⁶⁹ (ii) support for completion and enhancement of the government competencies framework for public sector employees with the focus on the requirements of a digital government and its implementation; and (iii) support for the development and implementation of equitable and inclusive recruitment guidelines, including redesigning application forms, selection and appointment procedures, as well as training for HR practitioners.

intensive process).

⁶⁴ As part of its new institutional framework for competitiveness approved by Cabinet in September 2018, the Government of Barbados has rationalized two entities that had a mandate related to productivity and service delivery (National Productivity Council and National Initiative for Service Excellence) and established a Competitiveness and Development Effectiveness Unit (Competitiveness Unit) in the MFEI. The Unit is intended to serve as a technical arm of a new Competitiveness Council, whose joint task will be to implement key doing business and modernization reforms in a fixed timeframe. The Unit also has a mandate to focus on on-the-ground delivery of government's modernization and economic enfranchisement agenda, reaching across key government departments to ensure that they stay on track in executing promised reforms, including the change management process that is required in most cases to make the reforms operational. Furthermore, this unit will provide support to the PIU which is responsible for overseeing execution of the Public Sector Investment Programme (PSIP), but which has limited capacity to act on implementation gaps and delays. A strengthened Competitiveness Unit would aid the PIU in its delivery function with respect to top priorities in the modernization/investment agenda.

⁶⁵ The PIU is a Unit of the MFEI, in charge of ensuring that the PSIP is well planned and effectively implemented.

⁶⁶ This component will not finance severance payments for workers leaving the public sector.

⁶⁷ The key ministries for competitiveness and economic diversification will be prioritized. These functional reviews will also identify which services provided to public agencies (like cleaning, security, printing), currently delivered by public sector agents could be transferred to the private sector.

⁶⁸ This strategy will be done in coordination with the Barbados Human Resource Development Strategy being developed by the government.

⁶⁹ The curriculum and course offering of training and upskilling will be based on the results of the functional reviews, the strategic workforce planning exercises, the new competencies framework and the training needs assessment.

- c. **Subcomponent 2.3. Strengthening HR management information systems.** This subcomponent will include the mapping of all the HR processes and the implementation of an integrated system for HR management and performance management for public sector employees,^{70, 71} including sex-disaggregated data.
 - d. **Subcomponent 2.4. Change management and communication.** This subcomponent will finance the development of a change management plan that will address reforms carried out under both components, the execution of change management and communication activities, and training and certification in change management for public sector employees across government.
- 1.20 **Contingencies, monitoring and evaluation, project management and administration (US\$3.5 million).** This will include costs related to audits, monitoring and evaluation, management and administration, and contingencies. **Beneficiaries.** The main beneficiaries of this project will be the citizens of Barbados, individuals doing transactions in the country, and the private sector, particularly those who face high costs associated with accessing public services, as well as civil servants who will be benefited by activities like training and fair access to employment and/or advancement opportunities in the civil service for people of all races, ethnicity, languages, gender or disabilities. The Government of Barbados, which will be able to manage better its human resources and provide services in a more efficient manner.

C. Key results indicators

- 1.21 **Expected Results.** The expected impact of this project will be an improvement in the effectiveness of the government, reaching at least an improvement of 0.08 in the “government effectiveness” indicator of the WGI,⁷² and enhancing the competitiveness of the economy, reaching at least an improvement of 0.5 in the “competitiveness of the economy” indicator of the GCI.⁷³ The main results of this project will be: (i) increase in the adoption of the digital channel to access public services by individuals and businesses, by increasing the percentage of online applications for services like obtaining a work permit and renewing a driver’s license, reaching at least 60% and 70% of online applications for these services; (ii) strengthening of the managerial efficiency and monitoring of investment projects through the use of a digital dashboard to manage investment projects;

⁷⁰ This product will serve as the main input for the blueprint of the HR system.

⁷¹ Centralized HRM systems in the public sector can improve administrative efficiency, which comprises faster information processing, improved employee communications, greater information accuracy, lower HR costs and overall HR productivity improvements. Several studies have analyzed the impact of HR systems in the enhancement of HRM. Please see: Beadles et al. (2005), “The impact of HR information systems: an exploratory study in the public sector”, Communications of the IIMA, Vol. 5 No. 4, pp. 39-46.; Dery et al., (2009) “Human resource information systems: replacing or enhancing HRM”, Proceedings of the 15th World Congress of the International Industrial Relations Association IIRA 2009, Sydney, Australia, August 27; and Wiblen et al., (2010), “Transitioning from a proprietary to Vanilla HRIS: the resulting implications for talent”, Proceedings of the 3rd European Academic Workshop on Electronic Human.

⁷² WGI, World Bank.

⁷³ GCI, World Economic Forum.

and (iii) improvement in the efficiency of the civil service by enhancing diversity management, HR information systems, job profiles and investments in training.⁷⁴

- 1.22 **Economic Analysis.** The project is expected to reduce transactional costs associated with service provision in the public and private sectors by enabling the online channel to conduct transactional public services, thus reducing the number of hours spent by individuals and firms in accessing such services, eliminating the trips necessary to complete each transaction, and expediting processing times for public officials. The ex ante economic analysis estimated the monetizable benefits of the implementation of the project. Specifically, it quantified the savings generated by: (i) the implementation and adoption of online services for businesses and individuals; (ii) the digitization of the police certificate of character; (iii) the elimination of required transactions due to data interoperability between government agencies; and (iv) the reduction in the backlog for issuing drivers' licenses. The cost contemplated in the analysis is the entire value of the loan, US\$40 million, given that all loan activities are essential to produce the expected impacts. In the baseline scenario, the analysis produces a benefit-cost ratio of US\$2.05 (meaning that for every dollar the project invests, it produces US\$2.05 in benefits), an internal rate of return of 30% (clearing the IDB threshold of 12%) and a Net Present Value (NPV) of US\$33.6 million. In a conservative scenario, the analysis demonstrates a positive NPV and an Internal Rate of Return (IRR) higher than 12% (see [Analysis of Project Cost and Economic Viability](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Execution period and financing instrument.** This operation will be financed through a specific investment loan for an estimated total cost of US\$40 million chargeable to the Ordinary Capital of the Bank. An original disbursement period of four years is being proposed, as explicitly requested by the Government of Barbados. This disbursement period is proposed in order to align the timeline of the operation with structural reforms under the BERT and the IMF EFF programmes. The modernization activities planned under this project are critical and time-sensitive for the government, and therefore they have been prioritized for execution. The IDB has been working with the government in the technical specifications for some of the most critical IT procurements in Component 1, which also have the longest procurement processes. The government has already significantly advanced these processes through advanced procurement, which should help collapse significantly the execution period of the project (¶3.10). (See [Pluriannual Execution Plan \(PEP\)](#)).

⁷⁴ It is expected that in these four areas Barbados will improve at least one point in the total score for the "diversity management index", the indicators 2 and 26 of the "Structural Consistency Index" and indicator 9 of the "Functional Capacity Index" of the "Building State Capacity in the Caribbean: The State of the Civil Service in Barbados".

Table 1. Summary of program costs (in million US\$)

Components	Bank	%
Component 1. Government Digital Transformation and Service Quality Improvement	30.5	76.25
Subcomponent 1.1. Design and implementation of an updated national digital strategy	3.3	8.25
Subcomponent 1.2. Implementation of online services for businesses and individuals	15.3	38.25
Subcomponent 1.3. Core digital infrastructure for online service provision	3.7	9.25
Subcomponent 1.4. Implementation of a Digital Document and Records Management System	5.5	13.75
Subcomponent 1.5. Strengthening of the managerial efficiency and monitoring of investment projects	2.7	6.75
Component 2. Enhancing HR Management in the Public Sector	6.0	15.00
Subcomponent 2.1. Workforce planning	0.5	1.25
Subcomponent 2.2. Skills for a high performing public service	1.7	4.25
Subcomponent 2.3. Strengthening HR management information systems	3.3	8.25
Subcomponent 2.4. Change management and communication	0.5	1.25
Project Management and Administration	2.0	5.00
Audits and Monitoring and Evaluation	0.5	1.25
Contingencies	1.0	2.50
Total	40.0	100

Table 2. Project disbursement projections (in million US\$)

Year 1	Year 2	Year 3	Year 4	Total
14.2	14.0	8.5	3.3	40.0
35.5%	35.0%	21.3%	8.2%	100%

B. Environmental and social safeguard risks

2.2 Based on Directive B.3 of the Policy Environment and Safeguards Compliance Policy (OP-703), the operation is classified as Category "C", as it is expected to generate minimal to no negative environmental and/or social impacts, since this operation will not finance any infrastructure components or civil works.

C. Fiduciary risk

2.3 As indicated in Annex III, the overall fiduciary risk of the project, which was evaluated using the Institutional Capacity Assessment System methodology, is deemed to be high. The fiduciary capacity of MIST needs to be strengthened in order to avoid delays in the execution of the project. Nevertheless, the evaluation indicates that the MIST once it has the Project Executing Unit (PEU) established, will have the capacity to execute the project. The main risks identified are presented in the following table:

Table 3. Project fiduciary risks

Risks	Risks Rating	Mitigation Measures
Inadequate fiduciary management and oversight of the project	Medium	The procurement and financial management personnel should be recruited and assigned to the PEU and be suitably skilled and qualified, preferably with experience in managing IDB and donor funded projects

Risks	Risks Rating	Mitigation Measures
Limited knowledge of fiduciary policies, and procedures	High	Training to the PEU on IDB's procurement, financial management procedures and requirements
Short execution time for a high amount loan with a heavy load of consulting services procurement	High	Encourage a procurement strategy aimed at an efficient combination of procurement activities as to reduce the administrative burden of managing a high number of procurement processes and contract administration

D. Other risks and key issues

2.4 A risk analysis workshop was held with relevant stakeholders, during which of the eight key risks identified, one was rated as “high” and two were rated as “medium”. The project’s overall risk rating is medium. A summary of the risks and their corresponding mitigating measures is presented as follows:

Table 4. Project non-fiduciary risks (high and medium)

	Risk	Mitigation measure
Public Management and Governance	High: Lack of coordination and/or cooperation among stakeholders may have adverse impact on execution of activities	<ul style="list-style-type: none"> - Signing of MOUs with stakeholders - Communication strategy which includes specific actions to engage stakeholders - Creation of a strategic decision-making committee
Public Management and Governance	Medium: High political pressure to execute the activities of the project in a shorter timeline, increasing the procurement risk of the project	<ul style="list-style-type: none"> - Frequent meetings to review implementation status and overall schedule of activities with all stakeholders - Establishment of a Technical Advisory Team to support the PEU - Engagement of a procurement specialist for the PEU
Public Management and Governance	Medium: Requests for significant changes in the scope of the project coming from main stakeholders during implementation may delay project execution and increase costs	<ul style="list-style-type: none"> - Define a change control process to be added in the operational manual of the project - Creation of a strategic decision-making committee

2.5 **Sustainability.** To ensure sustainability the project has adopted the following complementing approaches, especially of the technology investments: (i) to reduce the need for new software development on every additional service to be added to the online platform, the project will adopt a “government as a platform” approach, meaning that shared services and source code⁷⁵ will be shared as much as possible to reduce the cost to add an additional service; (ii) the updating of hardware infrastructure will have climate resilience and energy efficiency considerations, aimed at reducing the total cost of ownership of infrastructure in the long term; and (iii) the updated e-Government Strategy will include an

⁷⁵ The source code contains the programming of a computer programme. Having the source codes allows governments to make changes to computer programmes without depending on the provider which helps ensure the financial sustainability of this project.

assessment of infrastructure needs in the medium and long term, as well as establishing a governance mechanism to coordinate IT investments across the government to reduce duplication and ensure compatibility. Additionally, the design and implementation of a cybersecurity strategy, the establishment of a SOC and the CERT (in Component 1) will be critical to ensure the protection of the data to be digitized and the functionalities of the systems to be implemented.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and Executing Agency.** The borrower is the Government of Barbados. The Executing Agency (EA) will be the MIST. This is the government body with a wide enough mandate to ensure proper coordination among all participating institutions. The MIST has under its responsibility the OPR, the E-Governance Department, the National Council on Science and Technology, Telecommunications Unit and the Data Processing Department.⁷⁶ This ministry has already been executing some of the activities included in this project, like the digitization of government services.
- 3.2 Under the MIST, a PEU will be established. The PEU will be responsible for the project's execution, procurement, financial management and, including: (i) preparation of semiannual progress reports; (ii) preparation and implementation of the Annual Operating Plans (AOP); (iii) preparation of budgets and disbursements; (iv) preparation of the [Procurement Plan \(PP\)](#); (v) financial administration of the project according to accepted accounting principles and presenting audited financial statements; (vi) ensuring the quality and efficacy of procurement processes and their compliance with both the policies of the Bank and that of the Government of Barbados; (vii) ensuring the consistent alignment of expected project results with day-to-day project implementation, as well as continuous data collection to enable the measurement of the indicators included in Annex II; and (viii) being project liaison with the Bank. The PEU will have at least the following staff: a project manager, a financial specialist, a monitoring and evaluation specialist, a change management specialist and a procurement specialist. As the project implementation advances additional staff will be contracted for the PEU as needed.
- 3.3 **Coordination Units.** The project will have two coordination units, one in the Economic Affairs Division of the MFEI supporting the EA in the execution of the activities related to the strengthening of the managerial efficiency and monitoring of investment projects (see Subcomponent 1.5) and one in the MPS supporting the EA in the execution of the activities under Component 2. Each of these units will report to their respective heads and the PEU's Project Manager. Details of these coordinating units will be elaborated in the [Project Operational Manual \(POM\)](#), specifying their responsibilities.

⁷⁶ The new responsibilities of the MIST were outlined in the document: "Assignment of Responsibility for the Business of Government under Section 72 (1) of The Constitution with Effect from 28th May 2018".

- 3.4 **Inter-Institutional Coordination and the Strategic Decision-Making Committee.** The SDMC will be responsible for providing oversight and strategic direction and recommendations as well as to ensure the coordination of government agencies and other initiatives. The SDMC will provide strategic oversight of project activities, facilitate coordination, collaboration and communication among participating agencies and will address challenges related to achieving the project's goals. This committee will be chaired by the Minister of the MIST and will include ministerial representation from the coordination units, the Permanent Secretaries of the MIST, MFEI and the Director-General MPS and or their delegates (All the details regarding the SDMC are included in the [POM](#)). The PEU would have a secretariat role for this committee (see [Governance Structure](#)).
- 3.5 A TAT will be established, as technical support for the PEU. The TAT will be comprised of technical staff of all the entities participating in the digitization of paper-based records (Subcomponent 1.5) and will be chaired by the Permanent Secretary of the MIST or his designate. The TAT will have as its main objectives inter alia the establishment of interoperability standards and norms, digitization procedures and guidelines.
- 3.6 **Programming.** Each fiscal year, the PEU will present an Annual Operating Plan (AOP), the Financial Plan and the PP to the Bank for its non-objection. The Fiduciary Arrangements (Annex III) provide guidance for the financial management and procurement execution during the execution of the project. Such arrangements have been developed based on the fiduciary context of Barbados, the institutional analysis of the EA, and the several meetings held between the project team and key personnel of the EA and the participating entities.
- 3.7 **Project Operating Manual.** The [POM](#) will establish standards and procedures for the PEU with regards to programming activities, execution plan, procurement reviews, fiduciary management arrangements and Monitoring and Evaluation (M&E) arrangements, among others, which will govern program execution. Additionally, the POM will include a template of the memorandums of understanding that will be signed with each of the beneficiary agencies outlining their responsibilities under the project.
- 3.8 **Special Contractual Clauses prior to the First Disbursement.** The EA will provide evidence to the satisfaction of the Bank of: (i) the establishment of the PEU, including the assignment or hiring of the PEU's personnel responsible for managing the project, including a project manager, a financial specialist, a monitoring and evaluation specialist, a change management specialist and a procurement specialist; (ii) the establishment of the SDMC, comprising at least, representatives of the EA, the MPS and the MFEI, including a definition of their roles and responsibilities in the project's oversight; and (iii) its approval of the [POM](#), in accordance with the terms previously agreed upon with the Bank. Condition (i) will ensure that the EA has a unit with the adequate personnel in place to initiate and conduct project execution, while condition (ii) is deemed important in order to establish a framework between the entities collaborating in the projects's execution and the EA, and to expedite the project's implementation. Condition (iii) will allow for the proper execution of the project by detailing the guiding principles for execution and coordination of activities.

- 3.9 **Procurement.** The procurement of works, goods, services and consultancy services shall be carried out in accordance with the Policy for the Procurement of Goods and Works financed by the IDB (GN-2349-9), and Policy for the Selection and Contracting Consultants financed by the IDB (GN-2350-9), as may be amended from time to time. The PP includes details on procurement for the first 18-months of execution. Activities may be amended accordingly, by agreement between the EA and the Bank and the PP will be updated at least once every 12-months. The procurement supervision method will be determined by the Bank, depending on outcomes of supervision visits.
- 3.10 **Advance Contracting and Retroactive Financing.** The Bank may finance retroactively under the loan up to the amount US\$8 million (20% of the proposed loan amount), eligible expenses incurred by the Borrower prior to the date of loan approval to finance the staffing of the PEU, the digitization of records, as well as hardware and software, provided that all requirements, including procurement procedures are substantially similar to those set out in the loan contract requirements. These expenses must have been incurred on or after February 25th, 2019, date of the Project Profile approval, and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included.
- 3.11 **Disbursement.** The PEU will maintain strict control over the utilization of the advance of funds to ensure the easy verification and reconciliation of balances between the EA's records and IDB records. Eligible expenditures, authorized by the project team leader and incurred prior to the approval of this project will be reimbursed to the borrower, in accordance with current Bank's policies. The project will provide adequate justification of the existing advance of funds balance, whenever 80% of said balance has been spent. Advances will normally cover a period not exceeding 180 days and no less than 90 days.
- 3.12 **Auditing.** The PEU will submit the following documents to the Bank: (i) Annual Audited Financial Statements of the project, to be submitted within 120 days after the close of each fiscal period; and (ii) final audited financial statements, to be submitted within 120 days after the day of the last disbursement date of the program. The financial statements must be conducted by an independent external audit firm approved by the Bank.

B. Summary of arrangements for monitoring results

- 3.13 Project monitoring will be based on the Results Matrix (Annex II), the [M&E](#) arrangements, PP, and PEP. Current government data collection systems will be strengthened as part of the project to allow for data collection on all RM indicators. The PEU's M&E specialist will be tasked with maintaining data collection and monitoring systems. The PEU will submit semiannual progress reports within 60 days of each semester end, containing: (i) narrative description of activities executed under each component, including a description of the procurement processes carried out and issues affecting implementation during the reported period; (ii) update on attainment of RM indicators; (iii) statement of costs incurred by component activities as well as Results Matrix indicator; and (iv) identification of risks/events that may potentially affect the future implementation of the program, as well as proposed mitigation measures.

- 3.14 **Evaluation.** The EA will hire independent consulting services to conduct the project's intermediate and final evaluation.⁷⁷ The project will also ensure that technical assistance to build the government's own evaluation capacity is provided, thus complementing all external evaluations. The final evaluation will include an evaluation to provide more robust analysis on key outcomes for institutional capacity.
- 3.15 **Impact evaluation.** The objective of the impact evaluation is to generate knowledge on means to promote the citizen uptake of digital services. This will be achieved by testing two different treatments: (i) a user-centered web design, which will be compared to a simple digitized version of a paper form; and (ii) user training on digital services. This evaluation will generate two products: (i) a quantitative evaluation report describing the evaluation design, implementation, results and conclusions; and (ii) a qualitative lesson learned report including recommendations for future digital service design and digital training efforts. The key outcome indicator for the evaluation in the project results matrix is the percentage of driver's license renewals that are requested online. A complementary indicator will be the proportion of individuals that went to the assigned website, whether or not they completed the form online. This indicator will allow for the calculation of the "bounce rate", or the proportion of those who abandoned their attempt to access the service online. To keep track of this indicator, the MIST must incorporate a monitoring tool on both versions of the web forms that records who accesses the page.
- 3.16 The motivation for this evaluation is the importance of promoting the citizen uptake of digital services, as well as the importance of instilling a practice of user-centered, iterative service design. It is unfortunately common in government digitization efforts that services put online are left unused, thus wasting the significant effort and resources invested in their digitization. It is similarly unfortunately common that digitization efforts are conducted without proper user research and user testing. This leads to unfriendly, impractical or simply unusable websites that constitute more of a barrier than a means of access to the service. This evaluation aims to generate both know-how regarding the process of user-centered iterative design and awareness of its potential impact on the uptake of digital services. At the same time, it will test the relative effectiveness of digital training for individuals. Digital training, an activity included in Component 1, is a common piece of government digital transformation initiatives. However, there is little formalized knowledge on what works, and what the returns on the investment are in terms of online uptake. This evaluation will provide knowledge that is relevant for the future of government digital transformation both in Barbados and other countries passing through similar processes. Given the relevance of this evaluation for project implementation at scale, it is recommended that it be conducted as early as feasible.

⁷⁷ The intermediate and final evaluations will be carried out upon: (i) commitment of 40% of loan resources or two years after the loan's first disbursement (whichever occurs first); and (ii) commitment of 90% of loan resources, respectively.

Development Effectiveness Matrix		
Summary		BA-L1046
I. Corporate and Country Priorities		
1. IDB Development Objectives		Yes
Development Challenges & Cross-cutting Themes	<ul style="list-style-type: none"> -Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity -Climate Change and Environmental Sustainability -Institutional Capacity and the Rule of Law 	
Country Development Results Indicators	<ul style="list-style-type: none"> -Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)* -Public registries strengthened (#)* 	
2. Country Development Objectives		Yes
Country Strategy Results Matrix	GN-2953-1	(i) strengthening the institutional framework by supporting public sector management and public financial management system; and (ii) promoting a greater digitization of government
Country Program Results Matrix	GN-2948-2	The intervention is included in the 2019 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.7
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		4.0
3.3 Results Matrix Quality		2.7
4. Ex ante Economic Analysis		9.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		0.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		8.9
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		6.4
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium
Identified risks have been rated for magnitude and likelihood		Yes
Mitigation measures have been identified for major risks		Yes
Mitigation measures have indicators for tracking their implementation		Yes
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The main goal of the operation is to improve the effectiveness of the Government of Barbados to enhance the competitiveness of its economy. To achieve this, the Programme defines two specific areas of intervention. The first area proposes a digital transformation of government for improving the delivery and quality of public services. The second area is focused on the modernization of civil service through the implementation of a strategic workforce planning system for human resources management and training in digital skills for improving the performance of public service.

The project proposal diagnosis describes that none of the government transactions can currently be done entirely online, it implies a high transactional cost for citizens and firms, for example, the police certificate of character is a mandatory document for getting a job, this process takes around 56 days. The diagnosis also identifies a public service overstuffed, under-productive with a critical gap in digital skills. Overall, it identifies problems and their causes. The solutions are aligned to the issues. There is no evidence on effectiveness for some proposed solutions in the country

The economic analysis provides a quantification of some economic benefits associated with a reduction of the transactional cost of accessing public services. Generated by (i) the implementation and adoption of online services for businesses and individuals; (ii) the digitization of the police certificate of character; (iii) the elimination of required transactions due to data interoperability between government agencies; and (iv) the reduction in the backlog for issuing drivers licenses. The assumptions on the magnitude of the expected benefits are not based on evidence. The costs include maintenance and investments associated with the loan. The analysis concludes the Project has a net present value of US\$33.6 million.

The Project presents a robust monitoring and evaluation plan; it considers, two main groups of information: (i) indicators provided by the Ministry of Innovation, Science and Smart Technologies and; (ii) indicators associated to civil service performance gathered by a primary survey. The evaluation plan includes an impact evaluation; It aims to measure the effectiveness of digital training and a simplification of services on the uptake of digital channel for public services

RESULTS MATRIX

Project Objective:	The main objective of this operation is to improve the effectiveness of the Government of Barbados to enhance the competitiveness of its economy. This will be achieved through: (i) increasing the adoption of the digital channel to access public services by individuals and businesses; and (ii) an enhancement of the efficiency in the civil service and strengthening the skills in the public sector for a digital economy.
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EXPECTED IMPACT

Indicators	Unit of measure	Baseline	Baseline Year	Year 1	Year 2	Year 3	Year 4	End of Project	Means of verification	Observations
Government effectiveness	Score	0.84	2017	0	0	0	0.92	0.92	Worldwide Government Indicators (WGI), World Bank	
Competitiveness of the Economy	Score	4.2	2016/2017	0	0	0	4.70	4.70	Global Competitiveness Index, World Economic Forum	

EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	End of Project	Means of verification	Observations
Online applications for obtaining a work permit ¹	%	0	2018	0	0	0	60	60	Report provided by the Immigration Department	
Online applications for renewing a driver's license ²	%	0	2018	0	0	0	70	70	Report provided by the Licensing	

¹ This data will be gender-disaggregated.

² This information will be gender-disaggregated.

Indicators	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	End of Project	Means of verification	Observations
									Authority Department	
Units in the government using a digital dashboard to manage investment projects	Number of units	0	2018	0	0	0	5	5	Report provided by the PIU	
Diversity Management	Score	80	2018	0	0	0	90	90	“Building State Capacity in the Caribbean: The State of the Civil Service in Barbados”	This is the total score for the Diversity Management Index. This index provides information on the extent to which workers’ access to employment and/or advancement opportunities in the civil service may be curtailed due to differences associated with race, ethnicity, language, gender, or disability
Human Resource (HR) Information Systems	Score	1 ³	2018	0	0	0	3	3	“Building State Capacity in the Caribbean:	This score makes reference to

³ The score obtained by Barbados reflects a limited availability of human resource information. Information systems are in very early stages of development.

Indicators	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	End of Project	Means of verification	Observations
									The State of the Civil Service in Barbados”	indicator 2, which is part of the Structural Consistency Index. This indicator measures whether the HR Information Systems (HRIS) enable a reasonable awareness of the quantitative and qualitative resources available, now and in the future, in the different organizational areas and units. For more information please see Underwood, J. (2018), “Building State Capacity in the Caribbean: The State of the Civil Service in Barbados”, IDB Technical Note No. 1491, Washington

Indicators	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	End of Project	Means of verification	Observations
Job Profiles	Score	3 ⁴	2018	0	0	0	4	4	“Building State Capacity in the Caribbean: The State of the Civil Service in Barbados”	This score makes reference to indicator 9 which is part of the Functional Capacity Index. The indicator measures whether job profiles include the selection of competencies that in each case are considered key for the success of the job-holder’s performance. For more information please see Underwood, J. (2018), “Building State Capacity in the Caribbean: The State of the Civil Service in Barbados”, IDB Technical Note No. 1491, Washington

⁴ The score obtained by Barbados reflects that the profiles required to fill the vacancies in most public organizations are defined, but with a strong emphasis on formal qualifications.

Indicators	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	End of Project	Means of verification	Observations
Investment in Training	Score	0 ⁵	2018	0	0	0	2	2	“Building State Capacity in the Caribbean: The State of the Civil Service in Barbados”	This score makes reference to indicator 26 which is part of the Structural Consistency Index. The indicator measures whether investment in training is made via plans that are based on a needs assessment and designed to support the organization’s stated priorities. For more information please see Underwood, J. (2018), “Building State Capacity in the Caribbean: The State of the Civil Service in Barbados”, IDB Technical Note No. 1491, Washington

⁵ The indicator obtained by Barbados indicates that there are no systemic assessments of training requirements.

OUTPUTS

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Observations
Component 1. Government Digital Transformation and Service Quality Improvement										
1.1 e-Government Strategies designed	# of strategies	0	2019	1	0	0	0	1	Report sent to the Bank by the PEU	
1.2 Cybersecurity Strategies designed	# of strategies	0	2019	1	0	0	0	1	Report sent to the Bank by the PEU	
1.3 Services operating in the online platform	# of services	0	2019	2	2	2	4	10	Report sent to the Bank by the PEU	
1.4 People trained under the Digital Ambassadors programme	# of programmes	0	2019	1,000	1,000	1,000	1,000	4,000	Report sent to the Bank by the PEU	
1.5 Data centers upgraded	#of data centers	0	2019	0	0	0	1	1	Report sent to the Bank by the PEU	This included the installation of equipment and redundancy
1.6 Records Management System operating	# of systems	0	2019	0	0	1	0	1	Report sent to the Bank by the PEU	
1.7 Digital Dashboard for investment projects operating	# of dashboards	0	2019	0	0	1	0	1	Report sent to the Bank by the PEU	
Component 2. Enhancing HR Management in the Public Sector										
2.1 Functional Reviews of Ministries and Agencies completed	# of functional reviews	0	2019	3	3	0	0	6	Report sent to the Bank by the PEU	
2.2 HR transformation strategy	# of strategies	0	2019	0	1	0	0	1	Report sent to the Bank by the PEU	

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Observations
completed with a gender and diversity focus										
2.3 training plans completed	# of plans	0	2019	0	1	0	0	1	Report sent to the Bank by the PEU	
2.4 Competencies Framework for public sector employees completed	# of framework	0	2019	1	0	0	0	1	Report sent to the Bank by the PEU	
2.5 Equitable and inclusive recruitment guidelines implemented	# of guidelines	0	2019	0	0	1	0	1	Report sent to the Bank by the PEU	
2.6 HR systems implemented	# of systems	0	2019	0	0	0	1	1	Report sent to the Bank by the PEU	
2.7 Change Management and Communications Strategy designed	# of strategies	0	2019	1	0	0	0	1	Report sent to the Bank by the PEU	

FIDUCIARY ARRANGEMENTS

PROJECT NUMBER: BA-L1046
PROJECT TITLE: Public Sector Modernization Programme
EXECUTING AGENCY: Ministry of Innovation, Science and Smart Technology (MIST)
PREPARED BY: Vinicio Rodriguez, Financial Management Specialist (VPC/FMP); and Maria Camilla Padilla, Procurement Specialist (VPC/FMP)

I. EXECUTIVE SUMMARY

- 1.1 The fiduciary management evaluation of the program was performed during February 2019 using the Institutional Capacity Assessment System (ICAS) methodology, as well as through a set of meetings and interviews with the management team of the MIST. The evaluation indicates that the project has a low fiduciary capacity, since the current personnel assigned to the MIST to conduct the fiduciary function does not meet the qualifications required to comply with Bank's fiduciary guidelines. Once the MIST has dedicated personnel assigned to the project for procurement and financial management functions and they are trained in IDB related fiduciary requirements and policies, it is believed MIST will be able to conduct the fiduciary aspects of the program execution.
- 1.2 MIST has no previous experience executing IDB financed projects. It is recommended that the project uses Smart Stream Financial System, for financial administration, and the Auditor General of Barbados for external control (depending on availability) and if unavailable, an independent audit firm acceptable to the Bank.

II. EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 2.1 The MIST was recently formed on June 2018 and includes the National Council on Science and Technology, the Data Processing Department, the E-Government Unit, Telecommunications Unit and the Office of Public Sector Reform. The MIST possesses an Account Department composed of Account assistant and two administrative clerks to process payments and accounting records, and carry out procurement activities such as quotations, local purchasing orders for all departments and units. MIST follows the financial and procurement rules stated in the Financial Management and Audit Act (FMAA). It should be noted however, that the MIST does not have any previous experience implementing projects funded by Multilateral Financial Institutions, therefore fiduciary execution of the program shall be strengthened by having a very solid fiduciary unit and training them in the Bank's Financial Management Guidelines and Procurement Policies.

III. FIDUCIARY RISK ASSESSMENT AND MITIGATING ACTIONS

- 3.1 The overall fiduciary risk of the program is deemed to be High. Notwithstanding, there were a few risks as outlined below and which could have an impact on the program, however they do not affect the overall risk.

Table 1. Risks and mitigation measures

Risks	Risks Rating	Mitigation Measures
Inadequate fiduciary management and oversight of the project.	Medium	The procurement and financial management personnel should be recruited and assigned to the PEU and be suitably skilled and qualified, preferably with experience in managing IDB and donor funded projects. Responsibility for implementation: PEU/Borrower.
Limited knowledge of fiduciary (FM & PRM) policies, and procedures.	High	Training to the PEU on IDB's procurement, financial management procedures and requirements. Responsibility for implementation: IDB Timeline for implementation: Throughout program execution.
Short execution time for a high amount loan with a heavy load of consulting services procurement.	High	Encourage a procurement strategy aimed at an efficient combination of procurement activities as to reduce the administrative burden of managing a high number of procurement processes and contract administration Responsibility for implementation: PEU/Borrower Timeline for implementation: During program design and throughout program execution.

IV. ASPECTS TO BE CONSIDERED IN THE SPECIAL CONDITIONS OF THE LOAN CONTRACT

- 4.1 To facilitate the execution of the operation, outlined below are agreements and requirements which will be incorporated into the special conditions:
- a. **Exchange rate agreed with the Executing Agency (EA).** For justification, reimbursement, and financial reporting purposes of the expenditures chargeable to the loan in local currency, the agreed exchange rate shall be the Telegraphic Transfer Selling Exchange rate to Commercial Banks,¹ in the effective date on which the borrower, the PEU or any other person or legal entity in whom the power to incur expenditures has been vested makes the related payments to contractor, supplier or beneficiary.
- 4.2 **Financial Statements and Reports.** Annual Audited Financial Statements (AFS) of the project are to be submitted to the Bank within 120 days after the close of each fiscal period, in addition to Final AFS, which are due for submission to the

¹ On June 2016 the Bank and the Government of Barbados agreed the use of the Telegraphic Transfer Selling rate to commercial banks, which is sent via email from the Central Bank of Barbados to the Treasury Department daily and is duly updated in SmartStream Financial System used by the Government of Barbados.

Bank within 120 days of the close (expiration disbursement date) of the project. The AFS should be duly audited by a firm of independent public accountants or by the Barbados Audit Office (BAO), once they have the time and staff available to conduct the assurance engagement.

V. REQUIREMENTS AND ARRANGEMENTS FOR PROCUREMENT

- 5.1 **Procurement execution.** Procurement activities will be carried out in accordance with the Policies for the Procurement of Works and Goods financed by the IDB (GN-2349-9), and the Policies for the Selection and Contracting of Consultants financed by the IDB (GN-2350-9) of March 2011, and the Loan Contract and the Procurement Plan.
- 5.2 **Procurement of Goods, Works, and Non-Consulting Services.** The contracts for Works, Goods, and Non-Consulting Services under the project and subject to International Competitive Bidding (ICB) will be executed through the use of the Standard Bidding Documents (SBDs) issued by the Bank. The technical specifications review during the preparation of the selection process, is the responsibility of the project sector specialist.
- 5.3 **Procurement of Information Technology (IT) Systems.** IT services under the project and subject to ICB will be executed, when appropriate, through the use of the SBD for the Procurement of Information Technology Products and Services.
- 5.4 **Procurement of Consulting Services.** The consulting services contracts generated under this project will be executed through the use of the Standard Request for Proposals (SRFPs) issued or agreed to by the Bank.
- 5.5 **Advance Contracting and Retroactive Financing.** The Borrower may proceed with the initial steps of procurement before signing the Loan Contract. The Bank may finance retroactively under the loan up to \$8 million (20% of the Loan amount), eligible expenses incurred by the borrower prior to the date of loan approval to finance the staffing of the PEU, the digitization of records, as well as hardware and software, provided that all requirements, including procurement procedures, are substantially similar to those set out in the loan contract requirements. These expenses must have been incurred on or after February 25th, 2019, date of the Project Profile approval, and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included.
- 5.6 For contracts to be eligible for Bank retroactive financing, the procurement procedures, including the advertising, shall be in accordance with the Policies for the Procurement of Goods and Works financed by IDB (GN-2349-9), and the Policies for Selecting and Contracting Consultants financed by IDB (GN-2350-9), as reviewed by the Bank. Should the Borrower undertake such advance contracting, it will do so at its own risk, and any concurrence by the Bank with the procedures, documentation, or proposal for award does not commit the Bank to make a loan for the project in question or retroactively finance such procurement. If the Loan Contract is signed, reimbursement by the Bank of any payments made by the Borrower under the contract prior to loan signing, will only be permitted within the limits specified in the Loan Contract.

- 5.7 **Recurring Expenses.** Includes any recurrent, operative or maintenance expense of the PEU.

Table 2. Country threshold (US\$ thousands) www.iadb.org/procurement

Method	ICB Works	ICB Goods and Non-consulting Services	Consulting Services International Short List
Threshold ²	>3,000,000	>150,000	>200,000

- 5.8 **Procurement Plan.** The Procurement Plan (PP) will cover 18 months of project execution. It will include the selection method for the procurement of goods, works, non-consulting and consultancy services, including individual consultants for each contract or group of contracts and the estimated cost of each contract. The PP will be posted on the [Bank's website](#) and will be updated annually or whenever necessary, or as required by the Bank.
- 5.9 **Procurement Supervision.** Supervision method will be determined by the Bank for each selection process. All individual consultants selected competitively will be reviewed ex post. Ex post reviews will be performed every six months according with project Supervision Plan.
- 5.10 **Records and Files.** All records and files will be maintained by the Borrower and be kept for up to five years beyond the end of the operation's execution period, that is the final disbursement date.

VI. FIDUCIARY MANAGEMENT

- 6.1 **Programing and budget.** PEU will prepare official annual estimates for the review and approval by the Barbados Cabinet. The estimates will consider the total cost of financing required for project execution. The budget is presented to Parliament before the close of the fiscal year, which runs from April 1st to March 31st.
- 6.2 The Borrower will commit to allocate, for each fiscal year of project execution, adequate fiscal space to guarantee the unfettered execution of the project.
- 6.3 **Accounting and information systems.** Project accounting will be performed using Smartstream which is the official accounting and financial reporting system to record all transactions related to project execution.
- 6.4 **Disbursements and cash flow.** Whenever resources from the financing are requested through an Advance of Funds, they will be deposited into a designed project Account at the Central Bank of Barbados in US\$.
- 6.5 The Bank will disburse the project resources according to the true liquidity needs of the project based on a financial plan supported by the current and anticipated

² When procuring simple works and common goods and their amount is under the International Competitive Bidding threshold, Shopping may be used.

commitments. The following disbursement methodologies will be used for the project:

- a. Advance of funds.
 - b. Direct payments to supplier.
 - c. Reimbursement of payments made.
- 6.6 Advance of funds when used, will be based on the liquidity needs of the project up to six months period. Subsequent advances may be disbursed once the PEU had justified at least 80% of the total accumulated balance of unjustified advances has been submitted and accepted by the Bank.
- 6.7 The PEU commits to maintain strict control over the utilization of the Advance to ensure the easy verification and reconciliation of balances between the EA's records and IDB records.
- 6.8 Supporting documentation for Justifications of Advances and Reimbursement of Payments made will be kept at the office of the PEU. Supporting documentation for direct payments will be sent to the Bank for processing.
- 6.9 **Internal control and internal audit.** The PEU at MIST, will assume the responsibility for designing and implementing a sound system of internal control for the project, in its entirety.
- 6.10 **External control and reports.** For each fiscal year during project execution, the EA will be responsible to submit AFS for the project. These Financial Statements will be audited by an independent public accounting firm approved by the Bank's country office. These financial audits will have to be delivered by the EA to the Bank: (i) Annually: within 120 calendar days after the Barbados' fiscal closing date; and, (ii) Final Audit: within 120 calendar days after the final disbursement date.
- 6.11 **Financial supervision plan.** Financial, Accounting and Institutional Inspection visits will be performed at least once per year, covering, among other aspects, the following topics:
- a. Review of the bank reconciliation and supporting documentation for advances and justifications.
 - b. Review of compliance with the POM.
 - c. Conducting ex post reviews.
 - d. PEU has an Accounting Officer with the suitable qualifications and experience to carry out the financial management function according the Bank's policies and guidelines.
 - e. External audit of the project.

- 6.12 **Execution mechanism.** The MIST will be responsible for the Financial Management function, not only for the activities conducted by the MIST, but also for the activities carried out by the Coordination Units at the Ministry of Finance and Economics Affairs (MFEI), and the Ministry of Public Service (MPS). To this end, the PEU will include a Financial Specialist with two accounting clerks, who as department will be responsible of the processing of payments and accounting, hiring the external audit and financial reporting of the project according IDB guidelines. Details of the execution arrangements are included in the Project Operational Manual (POM) of the project.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/19

Barbados. Loan ____/OC-BA to the Government of Barbados
Public Sector Modernization Programme

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Government of Barbados, as borrower, for the purpose of granting it a financing to cooperate in the execution of the Public Sector Modernization Programme. Such financing will be for the amount of up to US\$40,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ _____ 2019)