

MODERNIZATION OF THE OFFICE OF THE COMPTROLLER GENERAL OF THE REPUBLIC

(CH-0170)

EXECUTIVE SUMMARY

Borrower:	Republic of Chile	
Executing agency:	Comptroller General of the Republic of Chile (CGR)	
Amount and source:	IDB: (OC)	US\$15 million
	Local:	<u>US\$10 million</u>
	Total:	US\$25 million
Financial terms and conditions:	Amortization period:	20 years
	Grace period:	4.5 years
	Disbursement period:	4.5 years
	Interest rate:	variable
	Inspection and supervision:	1.00%
	Credit fee:	0.75%
	Currency:	U.S. dollars (drawn for the Single Currency Facility of the Ordinary Capital)
Objectives:	<p>The general aim of the project is to help improve the management of public-sector bodies, preserve the principle of legality, protect State assets, preserve administrative probity and enhance the reliability and transparency of financial information. The project's specific objective is to help improve CGR management systems and enhance the institution's efficiency and operational effectiveness as the supreme government control body, to enable it to participate in and contribute to the process of modernizing the State.</p>	
Description:	<p>To achieve these objectives, the project is expected to carry out activities in the following four components:</p> <ol style="list-style-type: none"> 1. Strategic and organizational development (US\$4.3 million). This component will help establish an organizational structure, mode of operation and corporate image suitable for achieving the organization's mission and objectives, based on strategic planning in accordance with a new control model and 	

- management by results. The component will include the following activities: (i) proposal for reform of the framework of rules, regulations and structure of the CGR and implementation of the modernization measures that fall within its legal powers and duties; (ii) design of a new control, functions and outputs; (iii) development of strategic planning capacity for the organization as a whole and its component parts, and improvement of its internal operational control capacity; (iv) adaptation and refurbishment of physical facilities; and (v) design and implementation of a communications strategy and system.
2. Improvement of information processes and technologies (US\$9.2 million). The aim here is to modernize and develop corporate information and communications systems, with a view to strengthening the organization's management capacity, allowing for greater internal integration and real-time information exchange with external actors. Activities are expected to include the following: (i) diagnosis, complementation and validation of the CGR information technology master plan (PMTI); (ii) execution of the PMTI, and adoption of a new technology platform; improvements to operational and communication mechanisms, and integration of information systems with the various user departments; preparation of manuals for each information system; and training in the different fields and levels of technological specialization; and (iii) reengineering of internal processes, using automated mechanisms.
 3. Human resource management (US\$3.9 million). The aim is to put together and maintain a complement of staff with the competencies needed to perform its functions, committed to the organization's mission and strategic objectives, and motivated by the CGR modernization process. The component will contain the following activities: (i) human resource planning and organization, including definition of a new staff complement and professional profiles; (ii) definition, approval and implementation of new human resource policies and management systems, covering staff selection and hiring, performance appraisal, promotion and rotation; (iii) preparation of a training plan and coordination of training in all project components; (iv) development of staff welfare policies, including a retirement incentive program for staff members reaching the legal retirement age; and (v) improvement of working conditions, based on increased productivity.

4. Innovative initiatives (US\$2.6 million). This component has the objective of enabling the CGR to introduce new control modalities, within the context of its legal powers, to help the competent authority ensure the best allocation of resources through efficient, dynamic and timely control. Activities are expected to include the following: (i) design and implementation of an integrated management and control system for the audit tasks undertaken by the CGR; (ii) performance of at least two pilot cases of concurrent audits of Bank-funded projects, environmental audits and innovative audits; (iii) joint initiatives conducted between the CGR and the Internal Audit Units (IAUs), to establish effective coordination procedures; and (iv) promotion and development, with the participation of the Budget Division, of joint initiatives with municipalities to implement information systems and methodologies in order to generate relevant accounting data on costs and outputs.

**The Bank's
country and
sector strategy:**

The Bank's action in Chile is focused on the following strategic areas: (i) enhancing the competitiveness and productivity of the economy; (ii) increasing social and regional equity and improving the population's quality of life, with special emphasis on vulnerable groups; and (iii) modernization of State management, in order to improve public service delivery, strengthen partnerships between civil society, the State and the private sector, and increase citizen participation in the design, implementation and evaluation of public policies. The proposed operation is consistent with the Bank's strategy and will specifically facilitate progress in its third line of action, by contributing to management modernization in a key component of the State financial management system.

The project is also consistent with the strategy recently adopted by the Bank to support initiatives that promote transparency and good governance (document GN-2117-2, February 2001), specifically by strengthening the capacity of Chile's supreme audit institution, the Comptroller General of the Republic, to enable it to perform its functions more efficiently.

**Environmental
and social
review:**

The project was considered by the Committee on Environment and Social Impact (CESI) on 13 July 2001. It was determined that the project would not result in significant environmental harm, but would have positive social impacts. In accordance with CESI recommendations, the CGR will make sure the rebuilding and renovation works envisaged in the project adhere to environmental protection procedures in compliance with local building codes and national legislation, in order to guarantee safety (paragraph 4.4). In

terms of social impact, the project is expected to contribute to better use and greater transparency in the management of public funds, which will result in high-quality services for citizens.

Benefits:

The CGR modernization and reform process will help improve financial management, transparency and protection of State assets. Support for a function-based organizational structure will promote more effective exploitation of the organization's resources and raise its operational capacity, guaranteeing timely intervention when exercising control (paragraph 4.5).

In addition, activities aimed at effectively measuring the cost of the services the institution provides to the public sector will enable the CGR to make better use of its human and capital resources. The application of strategic plans, publication of results, and commitment to performance plans agreed between the functional units and the institution's top management, that include targets to be achieved, will result in more effective and efficient fulfillment of institutional objectives (paragraph 4.6).

On the other hand, the project will also help modernize the institution, enabling it to develop new control modalities, such as concurrent, environmental and other innovative audits. The CGR will also be brought up to date technologically, enabling it to respond more efficiently to ever-increasing demands from the legislative and executive branches of government and private individuals for thorough and timely external control and supervision of state management (paragraph 4.7).

Activities envisaged in the training and technical assistance area, along with implementation of a new human resource policy and management system, will help establish a corps of officials that is both motivated and better qualified to assume the various responsibilities inherent in the exercise of its functions (paragraph 4.8).

Risks:

The resistance to change when adopting new and more modern management processes and procedures is a potential risk to success in this type of project. This risk will be mitigated by the leadership and commitment shown by CGR middle management and top-level authorities during the design of the operation, and by the teamwork and organization shown during the design phase. Safeguards have also been put in place for the implementation stage (paragraph 4.10).

Special contractual clauses:

- a. Conditions precedent to the first disbursement: (i) establishment of the project management committee of the loan (paragraph 3.7); (ii) creation of the project execution unit (PEU), including hiring and/or secondment of personnel to staff it (paragraph 3.7); (iii) appointment of area technical coordinators (paragraph 3.8); and (iv) presentation of the annual operating plan (AOP) for the first year of project implementation (paragraph 3.35).
- b. As a condition precedent to disbursements for adapting and refurbishing physical facilities, the CGR will present to the Bank a copy of the respective agreement with the Ministry of Public Works for contracting and supervising the design and implementation of the project's civil works (paragraph 3.17).
- c. As a condition precedent to disbursements relating to joint CGR-IAU initiatives, the CGR will present to the Bank a copy of the contract signed with the government's general audit council to develop a coordination system (paragraph 3.32).
- d. As a condition precedent to disbursements relating to joint initiatives with the municipalities, the CGR will present to the Bank copies of agreements signed with the three municipalities that will participate in said initiatives, which the Budget Division will help to prepare (paragraph 3.33).
- e. As special contractual conditions for execution, the CGR will present the following to the Bank: (i) AOPs for the subsequent years of project implementation, to be presented within the final 60 days of the preceding execution year (paragraph 3.35); (ii) all legal permits and licenses required to undertake physical infrastructure improvement works, prior to their contracting (paragraph 3.17); and (iii) the midterm evaluation as provided for in paragraph 3.41.

Poverty-targeting and social sector classification:

This operation does not qualify as a poverty-targeted investment, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704).

Exceptions to Bank policy:

The project does not entail exceptions to Bank policies.

Procurement:

Current Bank procedures will apply. In contracting for consulting services, the procedures set out in document GN-1679-3 will be followed, pursuant to which price can be used as an evaluation criterion, as well as contracting of consultants on a fixed-price basis.

International competitive bidding will be required in the following cases: contracting for consulting services costing more than US\$200,000, goods procurement for amounts equal to or greater than US\$350,000, and civil works construction for amounts equal to or greater than US\$5 million (paragraph 3.43).

During project implementation the Bank may: (i) allow documentation relating to goods procurement and civil works contracting, for amounts below the indicated limits, to be verified *a posteriori*; (ii) enforce the requirement to obtain the Bank's prior nonobjection when selecting and hiring consulting firms or individual consultants, only when the amounts involved exceed US\$100,000 and US\$50,000 respectively (paragraph 3.44).