**Barbados**

Emerging And Sustainable Cities Initiative (ESCI)

Fiscal Sustainability Pillar

Rapid Evaluation of the Fiscal and Financial Capacity of Bridgetown

Terms of Reference

1. Background and Methodological Focus
   1. The Greater Bridgetown Area (“Bridgetown”) has been selected to participate in the IDB’s Emerging and Sustainable Initiative (ESCI), whose objective is to assist rapidly growing intermediate cities in identifying their principal challenges and prioritize the actions that have the greatest potential to have a positive impact on their sustainable urban development. As of 2014, 26 cities are already participating in the ESCI, and a total of 50 are expected to be participating by the end of 2015.
   2. The ESCI uses a multidimensional definition of sustainability, applying a holistic approach which addresses the sustainability challenges of Latin American and Caribbean cities in: (i) environment and climate change; (ii) urban development; (iii) governance and fiscal performance.
   3. As part of the governance and fiscal dimension of urban sustainability it is necessary to produce the analytical and informational inputs to assess the capacity to improve the finances and management of Bridgetown in the framework of the ESCI Action Plan. The evaluation covers the areas of revenue, expenditure, and borrowing capacity.
2. Objetive of the Consultancy
   1. This consultancy’s objective is to conduct a quick assessment of the Bridgetown’s fiscal and financial management capacity.
   2. Based on this evaluation the consultant is expected to identify concrete actions to improve fiscal sustainability, financial management capacity and budget performance capacity of the city, such that its overall investment capacity is increased.
3. A. Rapid Evaluation of the Bridgetown’s Fiscal and Financial Management
   1. The consultant will prepare two products:
4. Evaluation of its medium term fiscal capacity;
5. Rapid evaluation of the city’s finances.
   1. Both products must include a series of recommendations that, in the short term, improve the performance of the city’s finances.
   2. Evaluation of Medium Term Fiscal Capacity:
   3. Analysis of Fiscal Legal Framework The consultant will review the principal legal instruments that govern the fiscal relations between the central government and the city of Bridgetown in order to establish the main rules, regulations, norms, limits, and restrictions regarding current transfers, national and local taxes, municipal borrowing, budget, and auditing of the Bridgetown local government. The political-administrative and institutional framework of Barbados and how national revenue, spending, and borrowing policies affect fiscal capacity in Bridgetown, and vice versa, should be clearly established and explained.
   4. Collection of the city’s financial information: The consultant will collect current and historical information on the city’s finances (revenues, expenditures, and debt) for the last 5-7 years. All of the information must come from official sources, conform to the IMF International Public Financial Statistics Manual classification, and have the greatest level of disaggregation possible. The consultant will make field visits to validate the data and/or assumptions used with the principal actors involved.
   5. Finally, the consultant must collect relevant contextual macroeconomic information for analysis (inflation rate, interest rates, gross domestic product, unemployment, etc.) that is readily available in IMF reports such as the Article IV reviews.
   6. Revenue Analysis: The consultant will (i) analyze the composition of the principal sources of revenue that benefit the city, establishing their historical and present behavior; (ii) analyze the relative importance of different sources of income using ratios, growth rates and/or comparative data; (iii) make projections of the growth of the main revenue categories); clearly establishing the assumptions applied in the construction of the scenarios; and (iv) identify the revenue categories with the greatest underutilization, volatility, and/or potential to increase through short-medium term action.
   7. Expenditure Analysis: The consultant will: (i) analyze the level, composition, and behavior of the city’s current and capital expenditure[[1]](#footnote-1), (ii) analyze with greater detail the investments indicating their principal sources of financing; (iii) analyze the relative importance of the different types of financing used in public investments; (iv) make projections of growth of the main types of expenditure in order to establish a baseline scenario and a scenario with potential improvements, clearly defining the assumptions applied in each case (in analagous manner to that in which the revenue projections were made); and (v) identify the categories with the greatest possibilities for adjustment, recommending actions for their improvement in the short-medium term.
   8. Borrowing (debt) Analysis: The consultant will: (i) analyze the level, composition, and behavior of the city’s short and long term debt, if any, establishing whether the debt and its service are within the legal or regulatory limits; (ii) analyze the possible and available debt instruments to finance capital investments; (iii) analyze the relative importance of the different sources of borrowing for the city; (iv) make projections of growth of the existing and potential municipal debt (if any) in order to establish a baseline scenario and a scenario with potential improvements, clearly defining the assumptions applied in each case (in analagous manner to that in which the revenue and expenditure projections were made); and (v) identify the possibilities for the introduction of debt instruments, with or without sovereign guarantee.
   9. Analysis of the Fiscal Results, Debt Situation, and Recommendations: Based on the previous information and any addition debt information, the consultant will: (i) analyze the city’s fiscal results for the period of analysis and for any scenarios previously projected, focusing on the primary balance and the overall fiscal balance; and (iii) compose a series of recommendations of measures to improve the local finances that could be implemented in the medium term.
   10. Estimation of the indicators of the ESCI’s Fiscal Pillar: Based on the aforementioned information and Annex 2, “Indicators of the Emerging and Sustainable Cities Initiative,” of the ESCI’s methodological guide, the consultant will estimate the indicators of the following subtopics: (i) municipal revenue and taxes, (ii) quality of public spending; (iii) contingent liabilities; and (iv) sustainability of municipal debt.
   11. **Product A:** “Evaluation of Bridgetown’s Medium Term Fiscal Capacity” consulting report and calculation of the ESCI’s fiscal pillar indicators in accordance with the corresponding methodological guide’s specifications.
   12. Rapid Evaluation of the Financial Management Capacity
   13. Rapid Evaluation of the Local Tax Administration: The consultant will: (i) Review the pertinent legal framework to establish whether the city is making use of all its authority to collect taxes; (ii) identify the two or three main sources of own revenues; (iii) make a rapid estimate of the potential for growth in the two or three selected sources; (iv) for each of the categories of revenue, analyze the tax administration processes, clearly establishing the main shortcomings in the processes of registry, billing, collection, auditing, follow-up and control, and service to the taxpayer; (v) rapidly evaluate the city’s tax administration systems, paying special attention to the registry system; and (vi) make a series of recommendations of measures to improve the tax administration, particularly in terms of how it affects Bridgetown’s financial situation, that could be implemented in the short-medium term.
   14. Rapid Evaluation of the Expenditure Management Capacity: Given the expeditious character of this evaluation, the consultant will base the evaluation on structured interviews with the main officials responsible for the management of the expenditure. The results of these interviews must be validated with information from additional sources and field visits. The objective of this evaluation is to determine the effectiveness of the governnment in achieving the results expected from its expenditure programs and (capital) investment projects. Also, the qualitative evaluation should determine how much of the city’s expenditure programs depend on transfers and coordination of central government budgets with line ministries and how these revenue streams can be reflected in the expenditure accounting of Bridgetown. Also, the consultant should provide a preliminary opinion about the potential for the city to finance capital expenditure programs using land rent value capture, land market transactions, or public private perterrship contracts, bsaed on interviews with national and local government officers.
   15. Public Financial Management (PFM) Capacity Evaluation: The consultant should conduct an evaluation of the PFM capacity of the city using the Management by Results Evaluation System survey developed by the IDB (PRODEV’s SEP, for its abbreviation in Spanish). Specifically, the consultant is expected to determine the degree of implementation and integration of the five priority areas of results-based financial management: (i) strategic planning; (ii) budgeting and operational programming, (iii) auditing and financial management; (iv) management of public investment projects; and (v) monitoring and evaluation. Based on that rapid evaluation, the consultant must make a series of recommended measures to improve the management of the public expenditure, as it affects Bridgetown, that could be implemented in the short-medium term.
   16. Product B: “Rapid Evaluation of the Tax Administration and the Management of Public Spending” report and calculation of the ESCI indicators in accordance with the corresponding methodological guide.
   17. **Product B:** “Evaluation of Bridgetown’s Financial Management Capacity” consulting report, including the PRODEV’s SEP assessment based on the standrad survey[[2]](#footnote-2).
6. Payment Schedule
   1. The payment will be made in accordance with the following schedule: (i) 30% upon signature of the contract; (ii) 30% upon approval of the drafts of products A and B; y (iii) 40% upon approval of the final versions of products A and B.
7. Supervision
   1. This consultancy will be supervised by Huascar Eguino (IFD/FMM), Lead Specialist in Urban Development and Municipal Management and Sectoral Coordinator for the ESCI, and Gilberto Chona (IFD/FMM), Lead Specialist in Fiscal Policy and Urban Development Economics and Co-Team Leader for the ESCI in Bridgetown.
8. Duration and Characteristics of the Consultancy
   1. Type and duration of the consultancy: Individual consultant with a duration of 35 non-consecutive days over two months, beginning September 2014 (subject to confirmation).
9. Qualifications
   1. Consultant with proven experience in municipal public finances or those of autonomous sub-national entities. The consultant must have: (i) at least ten years of experience in subnational financial topics, (ii) at least five years of experience advising municipalities in Latina American and Caribbean countries, and (iii) a Masters in economics, finance, public accounts, or business administration.

1. Use the disaggregation of expenditure established by the governing bodies of the country’s accounting systems. [↑](#footnote-ref-1)
2. The application if the SEP survey will not require obtaining and providing the detailed supporting documentation to justify the point category in the 0-5 scale for each question. [↑](#footnote-ref-2)