**ANNEX I**

**Regional**

**IFD/FMM**

**Management of Metropolitan Areas and Quality of Life:**

**Innovations from LAC, China, and Europe**

**Financing of Metropolitan Areas**

**TERMS OF REFERENCE**

**Background**

During the past thirty years decentralization has mostly been supported as a mechanism to bring government closer to the people, facilitating a more efficient allocation of public resources and promoting enhanced accountability. Decentralization has also been encouraged as a laboratory for development and experimentation with new forms of public policy. In practice governments decentralize as a result of multiple factors, which imply that there is no single way of decentralizing. And the results of decentralization vary from country to country, suggesting the need to pay attention to the implementation details and institutional design consideration.

Latin America and the Caribbean (LAC) will become the most urbanized region in the world, reaching 86% by 2050 and six mega cities will be the home of more than 100 million people, which is approximately 15% of LAC’s population. As the majority of population and economic activity concentrates in metropolitan areas, local governments will face greater demands for financing service delivery, providing new infrastructure, and promoting local economic development.

The metropolitan areas in the region have common characteristics that need to be taken into account when looking into the management of metropolitan areas: (i) the region has a strong centralist state history and behavior; (ii) the decentralization process has been ongoing in almost all countries; (iii) the civil society is not highly involved; (iv) corruption is a cross cutting issue; (v) local governments need to strengthen their administrative and technical capacities; and (vi) a high proportion of the population lives outside of formal sectors and established legality. These common characteristics are not only specific to the region and can be found in other countries and continents, such as in Europe and Asia.

Within this context this technical cooperation will connect subnational governments in Latin America and the Caribbean, China, and Europe to identify innovation when addressing common challenges in the management of metropolitan areas. Metropolitan areas serve as hubs for many communities to work, shop, and use public services. These characteristics have implications for the magnitude and complexity of the expenditures on public services that subnational governments in metropolitan areas are required to make, as well as their ability to pay for services. The operation will look at how the metropolitan areas manage their public finance; how the public services are delivered; and how the goal to improve the quality of life of the inhabitants is taken into account as part of their governance strategy. Specifically the operation will promote coordination across levels of government, civil society, and private sector; and foster innovative tools for metropolitan management. The focus on management is a key issue when discussing the future of metropolitan areas and this operation will bring an analysis of the existing practice and produce concrete projects for potential investments.

Component one of the operation will look at how do metropolitan governments manage their finance. The objective of this component is to better understand how appropriate the level of revenue sources for metropolitan areas is or should be. The activities include: (i) the selection of the metropolitan areas through a call for proposals led by the IDB for the LAC region; (ii) a review of the fiscal capacity of the metropolitan areas selected, compared to other metropolitan areas, worldwide; (ii) a review of the special financial arrangements (such as special taxing powers and special intergovernmental transfers); and (iii) a discussion on whether metropolitan governments can be self-sufficient, based on an analysis of the funding options for the selected governments. The output of this component will be the creation of a network of metropolitan areas between China, Europe and LAC; and a report on the financing of metropolitan areas

**Consultancy objective(s)**

The objective of the consultancy is to deliver the report on the state of financing of the selected metropolitan areas, as described in component one. Four metropolitan areas will be selected and the report will focus on the fiscal capacity and financial arrangements of the four selected metropolitan areas.

**Main activities**

The selected candidate will:

* Review the literature on the fiscal aspects of metropolitan governance worldwide and how it relates to the situation of metropolitan areas in Latina America.
* Document the fiscal capacity of the selected metropolitan entities selected, and compared them to other metropolitan entities in the world.
* Identify and analyze the existing financial arrangements in the selected metropolitan entities.
* Discuss the potential for metropolitan entities to be self-sufficient and analyze the conditions under which this potential could become a reality.

The report will benefit from the discussions and inputs from the four metropolitan entities selected and will be presented to one of the meetings planned as part of the operation.

**Reports / Deliverables**

The consultant will present:

* The literature review and how it relates to the situation of metropolitan areas of Latin America. Based on this document the members of the network will provide the inputs needs for the consultant to be able to start analyzing of the fiscal capacity of the selected metropolitan entities.
* The draft report for comments by the IDB and the members of the network.
* The final report.

Every report must be submitted to the Bank in an electronic file. The report should include cover, main document, and all annexes. Zip files will not be accepted as final reports, due to Records Management Section regulations.

**Payment Schedule**

20% at the signing of the contract. 20% at the presentation of the literature review. 30% at the presentation of the draft report and 30% at the presentation of the final report.

**Qualifications**

* Economist or Public Finance with 20 years of experience in fiscal management and financing of metropolitan areas/subnational governments.
* Languages: Spanish and Portuguese
* Areas of Expertise: Fiscal management and public finance

**Characteristics of the Consultancy**

* Consultancy category and modality: Products and External Services Contractual, Lump Sum
* Contract duration: 44 days.
* Place(s) of work: External consultancy
* Division Leader or Coordinator: Ophélie Chevalier and Huascar Eguino

**Payment and Conditions:** Compensation will be determined in accordance with Bank’s policies and procedures. In addition, candidates must be citizens of an IDB member country.

**Consanguinity:** Pursuant to applicable Bank policy, candidates with relatives (including the fourth degree of consanguinity and the second degree of affinity, including spouse) working for the Bank as staff members or Complementary Workforce contractuals, will not be eligible to provide services for the Bank.

**Diversity:** The Bank is committed to diversity and inclusion and to providing equal opportunities to all candidates. We embrace diversity on the basis of gender, age, education, national origin, ethnic origin, race, disability, sexual orientation, religion, and HIV/AIDs status. We encourage women, Afro-descendants and persons of indigenous origins to apply.