

Technical Cooperation (TC Document)

I. BASIC INFORMATION FOR TC

Country/Region:	Regional
TC Name:	Structural fiscal balances in LAC: a new database
TC Number:	RG-T2278
Team Leader/Members:	Martín Ardanaz (IFD/FMM) Team Leader; Alma Romero (IFD/FMM); Gustavo García (IFD/FMM); Alberto González Castillo (IFD/IFD); Ana Corbacho (IFD/IFD); Javier Jiménez Mosquera (LEG/SGO).
Date of TC Abstract authorization:	12/19/12
Beneficiary:	Latin America and Caribbean countries
Executing Agency and contact name:	Inter-American Development Bank (IDB)
Donors providing funding:	Public Capacity Building Korea Fund for Economic Development (KPC)
IDB Funding Requested:	US\$120,000
Local counterpart funding, if any:	None
Disbursement and Execution period:	12 months
Required start date:	April 22, 2013
Types of consultants:	Individual consultant
Prepared by Unit:	Institutions for Development Sector (IFD)
Unit of Disbursement Responsibility:	IFD
TC included in Country Strategy:	No
TC included in CPD:	No
GCI-9 Sector Priority:	Institutions for Growth and Social Welfare

II. OBJECTIVES AND JUSTIFICATION OF THE TC

- 2.1 Fiscal policy in Latin America and the Caribbean (LAC) has been traditionally *procyclical* and *volatile*. Since there is ample empirical evidence suggesting that procyclical and volatile fiscal policy negatively affect economic growth (Woo 2012; 2009), exacerbate macroeconomic volatility (Fatas and Mihov 2012; 2003), and hamper attempts at protecting the most vulnerable groups during recessions (Hicks and Wodon 2001; Ravallion 2002), measures to reduce fiscal volatility and

contain procyclical biases in fiscal policy can be beneficial to improve long term economic performance and social welfare.

- 2.2 There are two complementary policy options to address the problem of procyclical and volatile fiscal policy. One is to strengthen the role of *automatic stabilizers* in the budget; the other is to anchor fiscal policy frameworks in terms of fiscal rules that target the *structural*, as opposed to actual, fiscal balances (Kumar and Ter-Minassian 2007). According to a standard definition, the structural or cyclically adjusted balance (SBB) is the government's actual fiscal position after controlling for the budgetary consequences of the business cycle (Hagemann 1999) and other exogenous factors such as commodity price movements (IMF 2009).
- 2.3 With the current economic crisis, this latter option has become more common, as part of a new wave or "next generation" of fiscal rules (IMF 2012). However, still only a handful of countries have experimented with SBB rules in practice. Such relatively low number may not be casual, since there are a number of institutional requirements for their successful implementation, and the readiness of countries to fulfill these conditions cannot be simple assumed (Ter-Minassian 2010; García forthcoming).
- 2.4 Even if a majority of countries in the region are yet to fully satisfy some or all such pre-conditions, the use of structural fiscal balances as indicators or monitors of the underlying fiscal position could be an important first step in the direction of institutionalizing fiscal policy along these lines. In fact, having a reliable indicator of the impact of economic conditions on the budget is a natural precondition or first step in the incorporation of a "rules" based approach to fiscal policy. Thus, a dataset and estimations of structural fiscal balances are both timely and urgently needed across the region.
- 2.5 The goal of this TC is to provide estimations of the structural fiscal balance in a sample of fifteen LAC countries. This TC would enable the construction and publication of a unique regional fiscal database, the first of its kind, with (a) truly comparable fiscal data on the general government across LAC countries and (b) a range of estimates for the structural fiscal balance. In producing and making publicly available a dataset on structural fiscal balances, this TC in line with the IDB's institutional priorities of enhancing fiscal efficiency and sustainability across the region (GCI-9).
- 2.6 The TC builds on previous work on standardized databases for IFD staff (ESW RG-K1259). In that ESW, and based on intensive desk-work performed at headquarters, the Bank put together a complete fiscal database for eight Latin American and Caribbean countries,¹ including detailed revenue, and aggregate expenditure data for the general government. This TC would allow the addition of another seven countries (Argentina, Colombia, Ecuador, El Salvador, Honduras,

¹ Bolivia, Brazil, Chile, Costa Rica, Mexico, Peru, Trinidad and Tobago, and Uruguay.

Paraguay, and Venezuela) to the database and its publication on the web for widespread use.

- 2.7 While there are several regional fiscal databases available,² none of them fulfill the necessary requirements for the appropriate estimation of SFBs. Problems of comparability and level of government coverage, limited capacity to account for structural breaks in the data, and lack of disaggregated fiscal data are among the most important limitations of the current databases. This original fiscal database will overcome each of these problems, providing added-value to the information currently available through other international organizations (IMF, WB, CEPAL). In this respect, the TC will close a significant knowledge gap in the region that currently hampers country-level as well as regional fiscal analysis and policy design.

III. DESCRIPTION OF ACTIVITIES/COMPONENTS AND BUDGET

- 3.1 **Component 1. Database elaboration.** This component will finance the compilation of a structural balance fiscal database covering the general government level for the 2000-2011 periods in a sample of fifteen LAC countries. In particular, it will finance the hiring of a research fellow with previous experience in the compilation, standardization, and analysis of fiscal data.
- 3.2 **Component 2. Database publication.** This component will finance the publication of the structural fiscal balance database through a web-based platform designed to present and manage the database in a user friendly format. Additionally, the platform may be used for updating the dataset in the future.
- 3.3 **Component 3. Database dissemination.** This component will finance a dissemination event to launch the web platform containing the structural balance dataset.

Table 3.1: Indicative Results Matrix

Components	Activities	Outputs	Results
Database elaboration	<ul style="list-style-type: none"> - Hiring of consultancy services - Data validation with internal/external partners at IDB, IMF, ECLAC, and OECD - Travel missions (as needed) to gather necessary fiscal data from ministries of finance and central banks 	One fiscal database	# of times database has been used by bank staff for policy advice
Database publication	<ul style="list-style-type: none"> - Hiring of consultancy services - Pilot of web-base platform 	One web-based platform	# of visits
Database dissemination	Dissemination event to launch software application	One dissemination event	% of satisfied participants

² See ECLAC (CEPAL-STAT), IMF (WEO), WB (WDI), and IDB (LMW).

Table 3.2: Indicative Budget (US\$)

Activity/Component	Description	IDB/Fund Funding	Total Funding
Database elaboration	Hiring of consultancy services and travel	80,000	80,000
Database publication	Hiring of consultancy services	30,000	30,000
Database dissemination	Dissemination event to launch web platform and database	10,000	10,000
Total		120,000	120,000

IV. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 4.1 In accordance with the Operational Guidelines for Technical Cooperation Products (GN-2629-1, appendix 10) the Bank is the proposed executing agency for this regional TC. The project team is led by IFD/FMM who will supervise the TC components. The Bank already has experience in this area. The proposed execution structure will avoid dispersed and sporadic support to clients.

V. MAJOR ISSUES

- 5.1 There are two implementation risks of the TC. One is that it during the elaboration phase of the TC, it may take more time/resources to complete the database than originally planned. The second is that due to data quality and availability issues, we may not be able to complete the proposed sample of fifteen countries. To mitigate these risks, the team performed a previous feasibility study that suggested that the proposed sample of fifteen countries fulfills the data requirements necessary to estimate structural fiscal balances. However, in case it turns out impossible for one (or more) of these countries to enter the final dataset, we expect to replace it with a new one.

VI. EXCEPTIONS TO BANK POLICY

- 6.1 There are no exceptions to Bank policy. For the operation's procurement execution, the project team will follow Bank's Corporate Procurement rules and procedures (GN-2303-20) for the contracting of consulting firms, goods and non-consulting services; and for the hiring of individual consultants, the Human Resources Policies and Procedures (AM-650 Complementary Workforce Employees CWEs).

VII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 7.1 There are no environmental or social risks associated with the activities outlined in this TC, therefore its environmental classification is "C" (refer to electronic link).

Annexes

Terms of Reference for activities/components
Procurement Plan



Inter-American Development Bank

Institutions for Development (IFD)

TÉRMINOS DE REFERENCIA

RG-T2278-STRUCTURAL FISCAL BALANCES IN LAC: A NEW DATABASE

CONSULTORIA: TECNICO ESPECIALIASTA PARA CONSTRUCCION DE PLATAFORMA WEB

I. OBJETIVO

- 1.1 El Objetivo de esta consultoría es apoyar al Departamento de Instituciones para el Desarrollo (IFD) en la construcción de una plataforma Web para la publicación y manejo de una base de datos sobre balance fiscal estructural en América Latina y el Caribe.

II. CARACTERÍSTICAS DE LA CONSULTORÍA

- 2.1 Tipo de consultoría: Individual, internacional
- 2.2 Duración de la consultoría: 10 semanas/consultor
- 2.3 Lugar de trabajo: El trabajo se desarrollará a distancia desde las instalaciones de la empresa consultora. Durante el desempeño de sus funciones el consultor dispondrá del apoyo de uno de las asistentes de proyecto asignados a la División. Ocasionalmente, algún miembro de la empresa consultora podría ser requerido para viajar a Washington DC en misión bajo la coordinación de la División.
- 2.4 Calificaciones: Para la realización de este contrato se requiere de una empresa que tenga origen y sede en uno de los países miembros del BID, con una experiencia laboral probada en la elaboración de productos para páginas webs (bases de datos, proyectos de digitalización, etc.). La empresa elegida deberá contar con cierta experiencia de trabajo en otros proyectos que hayan sido promovidos por el BID para que tengan conocimiento previo de los parámetros de calidad estipulados por esta institución.
- 2.5 Forma de pago: Los pagos por honorarios se harán de la siguiente manera:
 - a) Un pago inicial de 30% a la firma del contrato.
 - b) Un segundo pago de 20% a la entrega del primer borrador.

- c) Un pago final del 50% restante contra la entrega del piloto finalizado a satisfacción del Banco.
- 2.6 Productos de la consultoría: Esta consultoría se efectuará contra la presentación de prototipos, documentación técnica e informes durante las etapas de diseño, desarrollo y testeo, que serán presentados como productos de la consultoría tal como a continuación se describe:
- a. Plan de trabajo con entregables específicos para la duración de la consultoría
 - b. Reportes de comunicación quincenales sobre las actividades conteniendo el detalle de los avances del período de conformidad con el Plan de Trabajo acordado.
 - c. Prototipo de la interfase de usuario con demostración de las funcionalidades de la plataforma.
 - d. El Informe final contendrá: (i) documentación técnica, (ii) memoria de labores de la consultoría sistematizando el contenido del trabajo realizado.
- 2.7 Características de la plataforma web:
- a. Interfases modernas y dinámicas, de atractivo estético y fáciles de utilizar.
 - b. Arquitectura de información intuitiva y amigable.
 - c. Contar con una estructura que posibilite una futura asociación a la base de información de LatinMacroWatch, siempre y cuando las condiciones existentes permitan esto.
 - d. La posibilidad de organizar tablas de datos por país y por tipo de indicador fiscal.
 - e. La habilidad de buscar por palabras clave, categorías fiscales específicas, años y países.
 - f. El sistema debe tener la habilidad de realizar análisis básicos, incluyendo la comparación de países, cruzado por categorías y períodos de tiempo.
 - g. La posibilidad de generar reportes en formato de tabla o gráfica.
 - h. La habilidad de recibir retroalimentación de usuarios de la plataforma.
 - i. La habilidad de exportar datos de tablas a formatos tales como Excel u otros formatos.
 - j. La habilidad de acceder a definiciones basadas en texto (glosarios, diccionarios) sobre información fiscal que aparezca en las tablas o listas, en formatos tales como pop up windows.

III. ACTIVIDADES

- 3.1 Las actividades de la consultoría se centrarán en crear el prototipo/plataforma Web de la Base de Datos de Balance Fiscal estructural. Lo anterior, pero sin necesariamente limitarse a ello, comprenderá las siguientes actividades específicas, en cooperación con el personal de IFD asignado a este proyecto:

1. Crear una plataforma Web para producir el prototipo de la Base de Datos Fiscal estructural en formato amigable al público y cooperar con la consultoría contratada para crear la solución Web de manera que se asegure la alimentación de datos disponible.
2. Específicamente la firma consultora deberá desarrollar las siguientes actividades:
 - a. Diseño de la arquitectura de información y funcionalidades globales de la plataforma web.
 - b. Diseño de una interfase amigable con atractivo visual y simplicidad en la estructura de búsqueda de información.
 - c. Desarrollo de un prototipo funcional de esta interfase de usuario que se pueda presentar como prueba de concepto.
 - d. Asistencia técnica durante la conferencia para la presentación de la base de datos.

IV. COORDINACION

La supervisión de la consultoría estará a cargo de Martín Ardanaz (martina@iadb.org).

Los productos finales se presentarán a satisfacción del Banco, ordenados en los correspondientes archivos digitales.

STRUCTURAL FISCAL BALANCES IN LAC: A NEW DATABASE

RG-T2278

CERTIFICATION

I hereby certify that this operation was approved for financing under the Public Capacity Building Korea Fund for Economic Development (KPC) through a communication dated February 6, 2013 signed by Taekon Kim, ORP/GCM). Also, I certify that resources from the Public Capacity Building Korea Fund for Economic Development (KPC) are available for up to US\$120,000 in order to finance the activities described and budgeted in this document. in order to finance the activities described and budgeted in this document. This certification reserves resources for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this document. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.

Original signed

04/23/2013

Sonia M. Rivera

Date

Chief

Grants and Co-Financing Management Unit

ORP/GCM

APPROVAL

Approved by:

Original signed

04/25/2013

Vicente Fretes Cibils

Date

Division Chief

Fiscal and Municipal Management Division

IFD/FMM