**ANNEX A**

**Regional**

**INE/ENE**

**Evaluating and Improving Fiscal Regime Design in the Extractives Sector in Latin America and the Caribbean – RG-T2854**

**TERMS OF REFERENCE**

**I. Background**

Established in 1959, the Inter-American Development Bank (IDB) is the main source of financing for economic, social and institutional development in Latin America and the Caribbean. It provides loans, grants, guarantees, policy advice and technical assistance to the public and private sectors of its borrowing countries.

Revenues from the Extractive Industries (EI) have major implications for many governments in Latin America and the Caribbean (LAC) (see Walter 2015; Vieyra and Masson 2014). Dependence on natural resource rents in some countries in the region has increased over time and can account for over half of government revenue in some countries. This trend seems likely to continue, even as many LAC countries experience economic and social volatility resulting from large swings in commodity prices. Maximizing and protecting the tax base of the extractive industries during upturns and downturns is an important priority for many LAC governments.

Fiscal policy can either help temper the effects of volatile commodity prices on the domestic economy or it can augment them. The recent commodity price upswing and downfall in the last decade has renewed interest in the key question of how best to establish an efficient system for collecting revenues from EIs without distorting investment decisions or jeopardizing short-term grown and long-term sustainable development.

The Bank is preparing a report to evaluate EI fiscal regimes in LAC and model alternatives regimes based on worldwide best practices in fiscal system design.

**II. Consultancy objective(s)**

The overall objective of the study is to inform the policy debate on fiscal system design in LAC by evaluating the costs and benefits of different fiscal regimes using case studies from selected economies in the region.

The proposed study includes the development of a standardized analytical methodology to (i) evaluate existing LAC EI fiscal regimes in terms of their efficiency, competitiveness, and revenue performance; (ii) assess the impact of the aforementioned fiscal regimes on the exploration and production of minerals and oil and gas; (iii) examine potential options for reform of existing fiscal regimes; (iv) model alternative regimes based on worldwide best practices in fiscal system design for the EIs.

The Bank is seeking a contractual to support this effort.

**III. Main activities**

The selected candidate will:

Activity 1: Standardized methodology for evaluating fiscal regimes in mining in terms of their efficiency, competitiveness, and revenue performance

1. To evaluate the impact of LAC’s various EI fiscal regimes in terms of their efficiency and competitiveness in a comparative manner, the project will apply a standardized methodology in order to calculate each country’s Marginal Effective Tax Rate (METR).
2. To evaluate the revenue performance of these fiscal regimes, the project will calculate the present value of mining and oil and gas revenue in each of our sample countries.

Activity 2: Standardized methodology for modeling impact of existing fiscal regimes on mining activity

1. The project will apply a standardized model that estimates the respective fiscal regime’s impact on mining and oil and gas exploration and production activities in each country.
2. The model will also be used to calculate the level of deadweight losses, or inefficiencies, associated with existing fiscal regimes in each country.

Activity 3: Assessment of reform options and discussion of best practices in EI fiscal design

1. No one fiscal regime for EIs is ideal for all countries. Yet all countries endowed with non-renewable natural resources face the challenge of capturing fair rents from their resources while minimizing the potentially distortive impacts of fiscal policies on investment.
2. Thus the project will model the impacts of alternative fiscal regimes based on international best practices on the efficiency, competitiveness, and revenue performance of EIs in LAC.

Activity 4: Qualitative assessment and other explanatory notes

1. The methodology will also include a standardized qualitative component for each country. The project will provide a brief history of the development of EIs in each country, a description of the sector’s organization, an assessment of the sector’s role in the economy and public finances, and a detailed overview of the fiscal regime governing the sector.

**IV. Reports / Deliverables**

4.1 Draft report outlining methodologies above

4.2 Final report outlining methodologies above

**Payment Schedule**

* 20% upon signature of contract
* 40% of consultancy total cost after Banks’s reception and approval of product described in 4.1
* 40% of consultancy total cost after Bank’s reception and approval of product described in 4.2

**Qualifications**

* *Academic Degree / Level & Years of Professional Work Experience:* Specific experience in fiscal affairs and tax policy related to the extractive sector, at least 15 years of professional experience, with previous work in applied econometrics, publications related to fiscal issues and a PhD degree.
* *Languages:* Fluency in English is required
* *Areas of Expertise:* Economics, Fiscal affairs, Extractives

**Characteristics of the Consultancy**

* Consultancy category and modality: Products and External Services Contractual, Lump Sum
* Contract duration: 30 days
* Place(s) of work: External consultancy
* Division Leader or Coordinator: Ramón Espinasa, Lead Oil and Gas Specialist (INE/ENE) (e-mail: ramones@iadb.org – ext. 3315).

**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.