

TECHNICAL COOPERATION (TC ABSTRACT)

I. BASIC PROJECT DATA

Country/Region:	Regional	
TC Name:	Public expenditure database in LAC	
TC Number:	RG-T2320	
Team Members:	Martín Ardanaz (IFD/FMM), Team Leader; Alma Romero (IFD/FMM) Alternate Team Leader; Emma Monsalve (IFD/FMM); Gustavo García (IFD/FMM); and Susana Román-Sánchez (IFD/FMM).	
Operation type:	Research & Dissemination	
Beneficiary:	Latin America and Caribbean countries	
Executing entity:	Bank executed	
IDB Funding Requested:	US\$400,000	
Terms:	Executed period:	
	Disbursement period:	24 months
Required start date:	April 2013	
Types of consultants:	Individual	
Prepared by Unit:	IFD/FMM	
UDR:	IFD/FMM	
TC included in CS/CPD	No	
GCI-9 Sector Priority:	Institutions for Growth and Social Welfare	

II. OBJECTIVE AND JUSTIFICATION

- 2.1 Public expenditures policies can affect growth and well-being through a number of channels, including their effects on the development of physical and human capital. In spite of their importance for economic and social development, a comparable public expenditure database spanning a wide set of countries, that goes beyond covering the central government level, does not exist for LAC. An exclusive focus on the central government level certainly underestimates the size and scope of government expenditures in a region where subnational governments represent on average about a third of total spending. This “data gap” hampers country-level, as well regional fiscal analysis and policy design.
- 2.2 The goal of this TC is to build a database that will allow for a comparison of the size and scope of public expenditures in a broad sample of LAC countries. In particular, the TC would enable the construction and publication of a unique expenditure database, the first of its kind, with: (i) truly comparable data on the general government; and (ii) estimates of the level and composition of public expenditures. Ultimately, the construction of this dataset will allow the Bank to engage in policy dialogue with LAC countries and provide policy advice aimed at improving public sector performance and increasing expenditure efficiency across the region. In this respect, the TC is directly in line with the priorities of the Public Capacity Building Korea Fund for Economic Development.

- 2.3 While there are several regional expenditure databases available,¹ they suffer from two key problems that justify additional efforts at data collection and standardization: (i) they are mostly limited to covering the central government level, thus excluding the important role that subnational governments play in the provision of public goods and services;² and (ii) they lack enough detail to breakdown public expenditures by functional category, thus limiting our capacity to make comparisons regarding levels of investments in those sectors that play a key role in development (such as education, health, and infrastructure).
- 2.4 This TC builds on previous work on the standardization of fiscal databases at IFD and FMM (ESW RG-K1259; RG-K1266; RG-K1141). These complementary recent efforts show that the problems of existing databases outlined above do not reflect a simple lack of reported fiscal data on behalf of LAC countries, but rather a shortage of investment in resources to collect, standardize, and publish expenditure data that exists but so far remains scattered. Our original expenditure database will overcome these problems, thus providing added-value to the information currently available through other international organizations (IMF, WB, ECLAC). Additionally, the team plans to build strategic partnerships with such organizations to ensure that the database is updated in the near future, thus providing sustainability to the TC's outputs.

III. DESCRIPTION OF ACTIVITIES AND OUTPUTS

- 3.1 **Component 1. Database compilation.** This component will finance the compilation of a public expenditure database covering the general government level for the 1990-2012 period for a broad sample of LAC countries.³ In particular, it will finance the hiring of an international consultant with ample experience in expenditure data and analysis, as well the hiring of a research assistant (RA) based at IDB headquarters that will assist the data expert in feeding information into the database. Additionally, this component foresees the use of resources directed at regional think-tanks with access to public finance data if country-specific data problems arise.
- 3.2 **Component 2. Database publication.** This component will finance the publication of the expenditure database through a web-based platform designed to present and manage the database in a user friendly format. Additionally, the platform will be used for updating the dataset in the future.

¹ See Economic Commission for Latin America and the Caribbean (CEPAL-STAT), International Monetary Fund (World Economic Outlook, WEO; and Government Finance Statistics, GFS), World Bank (World Development Indicators, WDI), and Inter-American Development Bank (Latin Macro Watch, LMW).

² It is estimated that subnational government expenditures range from 1% to 22% of GDP (IDB 2012).

³ The database will ideally allow disaggregation of expenditure data by function and economic type, following the methodology of the Government Finance Statistics Manual 2001 (GFSM).

3.3 **Component 3. Database dissemination.** This component will finance a dissemination event to launch the web platform containing the expenditure dataset.

3.4 The table below summarizes the TC’s main outputs and results:

Components	Activities	Outputs	Results
1. Database compilation	Hiring of consultancy services. Travel missions (as needed) to gather necessary fiscal data from ministries of finance and central banks.	One expenditure database.	# Of times database has been used by bank staff for policy advice. # Of loans approved that use expenditure database as input.
2. Database publication	Hiring of consultancy services.	One web-based platform.	# Of visits.
3. Database dissemination	Dissemination event to launch web platform.	One dissemination event	# Of attendants from other IFI’s such as ECLAC, IMF, or WB. # Of downloads.

IV. BUDGET

Component	Description	IDB (US\$)	Total (US\$)
1. Database compilation	• Hiring of data expert.	255,000	255,000
	• Hiring of RA based at IDB.	90,000	90,000
	• Regional think-tanks.	30,000	30,000
2. Database publication	• Hiring of country-based consultancy services.	20,000	20,000
3. Database dissemination	• Dissemination event.	5,000	5,000
Total		400,000	400,000

V. EXECUTING AGENCY AND EXECUTION STRUCTURE

5.1 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.

VI. PROJECT RISKS AND ISSUES

6.1 There are two implementation risks of the TC. One is that 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 full sample of LAC member countries.

VII. ENVIRONMENTAL AND SOCIAL CLASSIFICATION

7.1 There are no environmental or social risks associated with the activities outlined in this TC, therefore its environmental classification is "C".