

## TC ABSTRACT

### I. BASIC PROJECT DATA

<b>Country/Region:</b>	Regional	
<b>TC Name:</b>	Subnational Fiscal and Local Development Information Platform	
<b>TC Number:</b>	<b>RG-T2333</b>	
<b>Team Leader/Members:</b>	Carlos Pineda (IFD/FMM) - Team Leader; Gustavo García (IFD/FMM); Huáscar Eguino (IFD/FMM), Cristina MacDowell (FMM/CBR), Ramiro López-Ghio (FMM/CCO), José Larios (FMM/CGU), and Susana Román-Sánchez (IFD/FMM).	
<b>Operation type:</b>	Knowledge Generation and Dissemination (KD-TC)	
<b>Date of TC Abstract:</b>	July 8 <sup>th</sup> , 2013	
<b>Beneficiary:</b>	LAC countries	
<b>Contracting Entity:</b>	IDB – IFD/FMM	
<b>Funding Requested:</b>	IDB/KPC	US\$300,000.00
	Local counterpart	US\$ 20,000.00
	<b>TOTAL</b>	<b>US\$320,000.00</b>
<b>Disbursement period:</b>	30 months	
<b>Required start date:</b>	September 01, 2013	
<b>Types of consultants:</b>	Firms and Individuals	
<b>Prepared by Unit:</b>	IFD/FMM	
<b>Disbursement responsibility:</b>	IFD/FMM	
<b>TC included in CS or CPD:</b>	No	
<b>GCI-9 Sector Priority:</b>	Institutions for Growth and Social Welfare	

### II. OBJECTIVE AND JUSTIFICATION

- 2.1 Since 2008, the Bank has supported the organization of technical events to improve its operational response to fiscal decentralization issues in the Region, pursuing the design of strategic medium and long term plans in this topic. Thus, the Division of Fiscal and Municipal Management (IFD/FMM) established a regional Technical Dialogue Group in fiscal decentralization and management,<sup>1</sup> which as a priority recommended developing an information platform of subnational fiscal and local development data. Based on data availability,<sup>2</sup> a prototype of this platform with detailed subnational fiscal information for six countries (Bolivia, Brazil, Colombia, Ecuador, Mexico and Peru) was developed, in consultation with the IMF, and was validated by the Group.<sup>3</sup>
- 2.2 This initiative responded to the demand of the Bank’s member countries to collect, analyze, and compare subnational fiscal data, performance indicators and

<sup>1</sup> Created at the international workshop Sub-National Finance and Fiscal Sustainability (Jan. 2010).

<sup>2</sup> For further explanation see the document [Fiscal Decentralization and Local Economic Development Database](#).

<sup>3</sup> The validation occurred during the Technical Dialogue Group Meeting Decentralization and Subnational Fiscal Management Network (Nov. 2011). The information platform prototype comprises subnational fiscal and legal data.

best practices among peer –national or subnational– governments, to face the challenges of the fiscal decentralization process in the Region. The provision of periodical data and indicators will support improving strategic fiscal planning, discipline and effectiveness as well as the analysis of fiscal capabilities by enabling compatible data among peer levels of governments<sup>4</sup>.

- 2.3 Building on these previous experiences, the objective of this TC is to conclude the development of the information platform prototype through its completion into a fully operational tool comprising subnational fiscal data,<sup>5</sup> local development indicators, and basic legal frameworks regulating fiscal federalism for 12 countries in the Region. By achieving this goal, the first phase of an implementation plan to make the platform available as a regional public good administered by the Bank to support fiscal authorities of member countries in the collection, assessment, management, processing, and dissemination of subnational fiscal information will be completed.
- 2.4 This initiative is aligned with GCI-9 Bank’s Sector Priority Institutions for Growth and Social Welfare, which acknowledges that a successful decentralization process requires the existence of subnational institutions that operate under a framework of transparency and accountability (GN-2518-20). This TC will be instrumental to support country-strategies and programs aimed at improving subnational fiscal administration, revenue mobilization, public expenditure and debt management.

### III. DESCRIPTION OF ACTIVITIES

- 3.1 **Component I. Data administration and information platform development.** To complete the development of a functional information platform with subnational fiscal and local development data for 12 countries, this component will finance: (i) compilation of subnational fiscal data for additional 3-4 countries; (ii) periodical update of fiscal data; (iii) homologation of subnational fiscal data to IMF’s accounting methodology; (iv) summary of the fundamental legal frameworks ruling fiscal federalism in participating countries; (v) development of a fully operational information platform; (vi) maintenance of an external hosting server for the platform; and (vii) platform’s administration and maintenance.
- 3.2 **Component II. Knowledge dissemination, monitoring and evaluation.** To promote the possible uses of the platform in the benchmarking of subnational fiscal data and to evaluate the analysis capacity of this tool, this component will fund: (i) a paper about the performance of subnational governments in the Region using the different information hosted in the platform; (ii) a workshop to present the information platform and the results of the mentioned paper; (iii) a case study

<sup>4</sup> See: [Ter-Minassian, Teresa. Fiscal Rules for Subnational Governments: Can They Promote Fiscal Discipline? Journal on Budgeting- Vol.6, No.3, OECD-2007.](#)

<sup>5</sup> All fiscal data is homologated to IMF’s Government Finance Statistics (GFS) accounting methodology to provide standardized information and indicators for monitoring, analyzing and evaluating the performance of subnational governments across countries despite the existence of different legal and institutional structures.

featuring an action plan on how to expand data availability, as applied to a specific country; and, (iv) a final evaluation of the progress achieved by the project and an action plan for the sustainability of the platform beyond completion.

#### **IV. INDICATIVE BUDGET**

- 4.1 The TC's total budget is estimated at US\$320,000. The Bank will fund US\$300,000. An amount of US\$20,000 is estimated as counterpart contribution of participant countries, in-kind, referring to local officers' support.

<b>Component</b>		<b>IDB (US\$)</b>	<b>Counterpart</b>	<b>Total</b>
Component I.	Data administration and information platform development.	265,000	20,000	285,000
Component II.	Knowledge dissemination, monitoring and evaluation.	25,000	-	25,000
	Contingencies/Unforeseen expenses	10,000		10,000
<b>Total</b>		<b>300,000</b>	<b>20,000</b>	<b>320,000</b>

#### **V. EXECUTING AGENCY AND EXECUTING STRUCTURE**

- 5.1 IFD/FMM will be the technical and administrative unit responsible for the TC's execution, in accordance with IBD's Technical Cooperation Policy (GN-2470-2).

#### **VI. PROJECT RISKS AND ISSUES**

- 6.1 The main operational risk of this TC is the gathering of subnational fiscal information based on the delivery capacity of the agencies involved in producing the data. This risk is deemed to be at medium-level, to be mitigated with the activities contemplated in Component I.
- 6.2 A subsequent risk is the sustainability of the information platform. To ensure this, an institutional action plan for on-going operations is required. The probability of this risk is deemed to be at medium-level, to be mitigated with the activities contemplated in Component II.

#### **VII. ENVIRONMENTAL AND SOCIAL CLASSIFICATION**

- 7.1 The results from the Safeguards Policy Filter Report and the Screening Form, classify this operation as "C" with no further mitigation actions needed.