

## TC ABSTRACT

### I. Basic project data

▪ Country/Region:	Regional
▪ TC Name:	Structural fiscal balances in LAC: a new database
▪ TC Number:	RG-T2278
▪ Team Leader/Members:	Martín Ardanaz (Team Leader FMM); Alma Romero (FMM), Gustavo Garcia (FMM), Alberto González Castillo (IFD), Ana Corbacho (IFD)
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Research & Dissemination
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	n.a.
▪ Reference to Request:	n.a.
▪ Date of TC Abstract:	Dec 20, 2012
▪ Beneficiary:	All Latin America and Caribbean countries
▪ Executing Agency and contact name	IDB
▪ IDB Funding Requested:	\$140,000
▪ Local counterpart funding, if any:	
▪ Disbursement period (which includes execution period):	24 months
▪ Required start date:	January 2013
▪ Types of consultants:	Individual consultants
▪ Prepared by Unit:	FMM/IFD; IFD/IFD
▪ Unit of Disbursement Responsibility:	FMM
▪ Included in Country Strategy (y/n);	n.a.
▪ TC included in CPD (y/n):	
▪ GCI-9 Sector Priority:	Institutions for Growth and Social Welfare

### II. Objective and Justification (estimated length: ¼ page)

The goal of this TC is the elaboration, publication, and dissemination of a fiscal database that will allow the estimation of *structural fiscal balances* (SFB) in a sample of fifteen Latin American & Caribbean countries (LAC). According to a standard definition, the SFB reflects the government’s actual fiscal position after controlling for the budgetary consequences of the business cycle and other exogenous factors such as commodity price movements (IMF 2009). In the past decade, an increasing number of countries have started to anchor their fiscal policy frameworks in terms of rules that target the structural, as opposed to actual, balances in an effort to overcome problems of fiscal procyclicality and volatility. Still, only a minority of countries around the world have experimented with them, reflecting the fact that important institutional requirements are needed for the successful implementation of rules based on the SFB, and the readiness of countries to fulfill these conditions cannot be simply assumed (Ter Minassian 2010; Garcia, 2012).

However, even if the institutional pre-conditions do not immediately allow for the application of SFB rules-based policy, the use of structural fiscal balances as indicators of the fiscal stance could be an important first step in the direction of institutionalizing fiscal policy along these lines across LAC. The publication of a dataset on structural

fiscal balances is thus instrumental in reaching this goal, and is line with the IDB’s institutional priorities of enhancing fiscal efficiency and sustainability across the region (GCI-9).

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. 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<sup>1</sup>, 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, Paraguay, and Venezuela) to the database and its publication on the web for widespread use.

While there are several regional fiscal databases available<sup>2</sup>, 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 and outputs (estimated length: ½ page)

The TC is divided in three parts (see Chart below).

Components	Activities	Outputs	Results
1. Database elaboration	-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	Fiscal database	-# of times database has been used by bank staff for policy advice
2. Database publication	-Hiring of consultancy services -Pilot of software application	One web-based application	-# of visits
3. Database dissemination	-Dissemination event to launch software application	One dissemination event	-% of satisfied participants

### IV. Budget (estimated length: ¼ page)

<sup>1</sup> Bolivia, Brazil, Chile, Costa Rica, Mexico, Peru, Trinidad and Tobago, and Uruguay.

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

### Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
1. Database elaboration	Hiring of consultancy services and travel	<b>\$80,000</b>		<b>\$80,000</b>
2. Database publication	Hiring of consultancy services	<b>\$40,000</b>		<b>\$40,000</b>
3. Database dissemination	Dissemination event to launch web application and database	<b>\$20,000</b>		<b>\$20,000</b>
Total		<b>\$140,000</b>		<b>\$140,000</b>

**V. Executing agency and execution structure (estimated length: about ½ page)**

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. This Bank executed regional TC will avoid dispersed and sporadic support to clients.

**VI. Project Risks and issues (estimated length: about ½ page)**

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.

**VII. Environmental and Social Classification (estimated length: ¼ page)**

All TCs must have an ESG classification. This subheading should state the ESG classification of the TC as assigned by ESG.