**Session 4: Case on Concept Note for a PFM Performance Assessment**

**Context:**

The Government of Syldavia and the Budget Support Donor Group (chaired by the World Bank) have agreed that a PEFA assessment will take place and should start as soon as possible. The Southern Development Bank (SDB) has agreed to co-finance the assessment, as it requires the output to feed into an internal fiduciary risk assessment to justify providing sector budget support to Syldavia. As this matter is urgent, the SDB office has taken the lead in drafting terms of reference, which have been submitted to the World Bank for comment (attached). It appears that consultants have been engaged and may have already begun the fieldwork.

The World Bank team has scheduled a decision meeting ahead of the next PFM Reform Program Committee, which is chaired by the Ministry of Finance and attended by the other donors.

**Required:**

In preparation for the decision meeting, all participants are to read the draft Concept Note/ terms of reference and consider the following aspects:

* scope of work and methodology, nature of the assessment;
* stakeholder roles and responsibilities, process for incorporating comments;
* assessment team composition, resource allocations, costs and organization;
* implementation schedule, timing and deliverables;
* quality review arrangements for the report.

**Timing of session:**

Individual reading of the case study 30 minutes

Discussion in the groups/ preparation of comments 30 minutes

Presenting comments 5 minutes for each group, plus time for comments from other groups (30 mins)

**Republic of Syldavia**

**Public Financial Management Performance Assessment**

##### Draft Terms of Reference

**Introduction**

1. The Republic of Syldavia has a population of 100 million and is a union with six provincial governments. Each province is autonomous with an elected assembly that approves and executes its own budget. Similarly, municipalities and rural districts (110 in total, all referred to as ‘districts’) are established under each province and are governed by elected councils.

2. A major drive towards fiscal and administrative decentralization has taken place in recent years with the purpose of empowering districtsto deliver basic services. The primary fiscal instrument used to ensure rapid decentralization of service delivery responsibilities to districts is the allocation of unconditional block grants from the union government to the provinces and in turn from provinces to districts, the latter transfers are based on sector earmarking. Revenue sharing according to agreed formulae also provide significant income for the provinces.

3. A key concern for government, donors and civil society is to ensure that all levels of government are able to effectively and efficiently manage their financial resources. Improving the quality of financial management at various levels of government has been an overriding priority for the Government of Syldavia (GoS), which has been implementing its Public Financial Management Reform Program (PFMRP) at all levels since 2010.

4. During negotiations with the World Bank on the PRSC III Loan, GoS agreed to have a PEFA based assessment undertaken in 2016. As the Southern Development Bank (SDB) intends to provide sector budget support to improve service delivery at the decentralized level, it has agreed to jointly finance this assessment and has drafted this document.

5. The PFM assessment will help to provide the GoS and donors with a nationwide benchmark on the quality of public financial management at the national and sub-national levels. Aside from providing donors with an assessment of Syldavia’s PFM, it is expected that the analysis will be of value to the GoS in design of its reforms to improve the quality of its PFM systems and to monitor the results of such reforms.

#### Scope of Work and Methodology

6. The 31 PFM indicators in the upgraded PEFA Framework will be used in the assessment of the performance of Syldavia’s PFM system. The assessment team will undertake a review of budget processes, procurement and related aspects of public financial management.

7. The assessment of will cover the Union Government and the four most populous provinces with a focus on the impact of both implemented and ongoing reforms. A joint government-donor team will be formed to undertake the assessment of the Union Government with the assistance of an experienced consultant financed by the SDB. Two World Bank PFM experts and four local consultants will form two teams – together with government officials – and each team will assess PFM performance in two provinces.

8. The Budget Support Donor Group (BSDG) in Syldavia City will arrange a workshop through which the PEFA Framework will be shared with GoS counterparts in advance of the assessment so as to ensure that all relevant parties are familiar with the main contents of the assessment and the methodology applied. To this end, prior to starting their work, the consultants will organize the workshop in order to explain the PEFA Framework as well as the methodology, tasks and collaborative approach required in order to ensure a successful assessment. This workshop will take place as early as possible in 2016 and will involve officials from the Ministry of Finance and the respective Provincial Finance Departments.

9. In line with the scope of work and methodology outlined above, the consultants and government team will undertake the following tasks:

* Carry out the full assessment according to the PEFA PFM Performance Measurement Framework.
* Once the final PEFA assessment is complete, the team will discuss with GoS officials the key findings of the analysis/report and how the Government wishes to take them forward in the context of the PFMRP (or other possible action plans).
* Following these discussions, a workshop will be held (organized by the joint team) at which the GoS will share its ideas/plan as to how it will address the issues/challenges raised in the PEFA assessment with the aim of using the report’s findings for formulation of the reform action plan for the fiscal year starting on July 1, 2017.

**Deliverables and Timetable**

10. Over the course of the PEFA assessment, there will be a need for the joint consultant-government team to update donors on the findings of their analysis. The quarterly meetings of the BSDG provide opportunities for such briefings.

* The consultants will organize a workshop to inform all relevant stakeholders of the PEFA framework and information requirements as early as possible in 2016.
* The PEFA assessment should commence by early February 2016.
* The team will provide a status report and brief findings at the March quarterly meeting of the BSDG.
* The joint team will provide an interim presentation of the assessment’s findings at the June 2016 meeting of the BSDG.
* The joint team will finalize the draft assessment in August 2016.
* The joint team will submit the final PFM Performance Report in September 2016.
* Consultants will organize a workshop to disseminate findings and (as noted above) hear the Government’s ideas/plans to address the issues raised in the assessment, to coincide with the meeting of the BSDG in December 2016 (some members of the joint team should be available to participate).

11. The team will produce a PFM Performance Report in accordance with the upgraded PEFA PFM Performance Measurement Framework. The final report will draw upon the findings of the joint team (captured by the PEFA indicator framework), but also include any other additional information that the joint team considers relevant. The overall purpose of this report is to provide a comprehensive and integrated assessment of the country’s PFM performance and provide a forward looking perspective as to which institutional factors are likely to support the reform planning and implementation process. The report should also summarize the strengths/weaknesses of the PFM systems in each of the provinces identified for inclusion in the assessment, documented in separate annexes.

**Expertise Required**

12. This assignment requires one team leader and four PFM experts. The team leader will have internationally recognized qualifications in public finance, accounting, and/or expenditure management, and at least fifteen years experience in public financial management and/or procurement reforms. Hands-on experience with public sector reform and diagnostic tools in developing countries is essential. Familiarity with the PEFA indicators would also be highly desirable. Excellent writing skills in English are essential. The experts should ideally have experience in Syldavia.

13. The team leader will be supported by four consultants who have similar experience of at least 10 years and experience from working with public financial management issues in Syldavia. Knowledge of English and Syldav is required. Experience and knowledge of sub-national government finance is recommended.

**Resource Input and Estimated Budget**

16. The Team leader will be contracted for a period of 60 days of work (including travel). Three visits to Syldavia will be required. The first visit will take place early in 2016 to hold the orientation workshop described above and begin fieldwork. The second visit is envisaged in June 2016 to allow the consultants to undertake any further fieldwork that may be necessary and present interim findings at the BSDG meeting. A third trip will take place in December 2016 to allow the joint team to discuss with Government officials how the findings might influence the PFMRP and to participate in the final workshop.

17. The four local consultants will each be required for a period of 50 days. The consultants will be responsible for collecting and translating background materials and primary source materials, (as much of the material will be in Syldav), generating various data and designing any surveys that may be envisaged. They will help to organize and accompany the team leader on all field trips and, as needed, serve as an interface between government authorities and the team leader.

**Management of the Assessment**

18. It will be important to ensure close and ongoing interaction between the consultants and relevant members of the National Government. The consultants will invite comments from the relevant stakeholders. The team will report to the SDB resident mission.

*SDB Resident Mission*

*Syldavia City,*

*December 4, 2015*