

The PFM Performance Measurement Framework

Case on Terms of Reference for a PFM Performance Assessment

Context:

The Government of Syldavia and the Budget Support Donor Group have agreed that a PEFA-based, joint PFM assessment will take place and should start as soon as possible. The Southern Development Bank (SDB) has agreed to be the main financier of the assessment. Due to its urgent need for the output to feed into its internal fiduciary risk assessment for justifying a development policy loan to Syldavia, the SDB office has taken the lead in drafting the terms of reference. The draft TOR are attached for comment. Comments will be discussed at a meeting of the PFM Reform Program Committee, of which Ministry of Finance (MOF) and donors are members, whereas the National Audit Office (NAO) and the consultant are co-opted.

Group tasks:

All participants shall read the entire terms of reference and consider the five aspects:

- scope of work and methodology
- stakeholder roles and responsibilities, nature of the assessment
- assessment team composition, resource allocations, costs and organization
- implementation schedule, timing and deliverables
- quality review arrangements for the report

Each group will be given a role in the review of the TOR (MOF, NAO, consultant team leader, DFID, World Bank) and shall from that perspective identify the relevant aspects of the TOR and assess their adequacy and clarity with proposals for how they should be improved to satisfy the needs of their respective organizations. The SDB will be represented by the facilitation team.

Timing of session:

Individual reading of the case study	20 minutes
Discussion in the groups/ preparation of comments	30 minutes
Presenting your comments	5 minutes for each group

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 autonomous provincial governments. Each province has its own elected assembly, forms its own government and approves and executes its own provincial budget. Similarly, municipalities and rural districts (110 in total) are established under each province and governed by elected councils. A major drive towards fiscal and administrative decentralization has taken place in recent years with the purpose of empowering districts and municipalities to deliver important 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 national government to the provinces and in turn from the provinces to the districts and municipalities, the latter transfers based on sector earmarking. Revenue sharing according to agreed formulae also provide significant income for the provinces.

2. A key governance 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 government levels since 2002.

3. During its negotiations with the World Bank on the PRSC III Loan, the GoS agreed to have a PEFA based assessment undertaken in 2007. The Southern Development Bank (SDB) intends to co-finance the PRSC loan with emphasis on improving service delivery at the decentralized government level. SDB and DFID have agreed to jointly finance the assessment. These TOR are meant to serve as the basis for this assessment.

4. 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 monitor the results of such reforms.

Scope of Work and Methodology

5. The assessment of Syldavia's PFM performance will cover the Union Government and the four most populous provinces with a focus on the impact of implemented and ongoing reform processes to date. A joint government-donor team will be formed to

undertake the assessment at the Union Government level with the assistance of an experienced consultant financed by the SDB. Two PFM experts and four local consultants will join a team of government officials to produce a report that will assess Syldavia's PFM performance at the provincial level. Some of the analysis should be done in collaboration with the National Audit Office. The NAO will assign two staff members to support the assessment; one for the Union Government assessment and one for the provincial government level.

6. The 28 standard PEFA PFM indicators will serve as the basis for this assessment. The assessment team will undertake a review of budget processes, procurement and related public finance management systems at the union government level.

7. The SDB and DFID teams will undertake an evaluation of the same systems at the provincial level. Each team will comprise one PFM expert and two local PFM experts. The SDB team will cover the South and East Provinces. The DFID team will cover Central Province and North West Province. The SDB team will work closely with the consultants funded by DFID. The SDB team will act as team leader for the DFID team especially since joint coordination, organisation and agreement in terms of scoring, need to be reached for all reports.

8. The Budget Support Donor Group (BSDG) in Syldavia City will organize 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 be required to 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 early June 2007 and involve relevant officials from the Ministry of Finance (MoF), the National Audit Office (NAO), and the respective Provincial Finance Departments.

9. In line with the scope of work and methodology outlined above, the consultants and government team will furthermore 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 joint consultant-government 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 PFM RP (or other possible action plans).
- Following on 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 budget year starting on July 1, 2008.

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. May/June 2007.
- The PEFA assessment should commence in early June 2007.
- The team will provide a status report and brief findings at the July quarterly meeting of the BSDG.
- The joint team will provide an interim presentation of the assessment's findings at the October 2007 meeting of the BSDG.
- The joint team will finalize the draft assessment in November 2007.
- The joint team will submit the final PFM Performance Report in December 2007.
- 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 in December 2007.
- Some members of the joint team should be available to participate in the discussion of the PEFA assessment's conclusions, next steps etc. at the meeting of the BSDG in January 2008

11. The team will produce a PFM Performance Report in accordance with the PEFA PFM Performance Measurement Framework. The final report will draw upon the findings of the joint team (as captured in the PEFA assessment 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 regions identified for inclusion in the assessment. This report will include a justification for the ratings provided by the joint team. The main report should be kept to 40 pages. The justification, and any other necessary information or details can be included as annexes. Each provincial assessment should be documented in a separate annex.

12. Once the report is drafted, Government will have three weeks to provide its feedback. In case of different views between the donors and the government over the findings of the report, the government's opinion should be reflected in an annex to the report.

Expertise Required

13. This assignment requires one team leader and two PFM experts.

14. 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.

15. The team leader will be supported by two 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. Team leader: The consultant 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 end May to hold the orientation workshop early June 2007 described above and begin fieldwork. The second visit is envisaged in October 2007 to allow the consultants to undertake further work and present interim findings at the BSDG meeting. A third trip would take place in December 2007/January 2008 to allow the joint team to undertake any further fieldwork that may be necessary, finalize the PFM Performance Report, have a discussion with Government officials as to how the findings might influence the PFMRP and participate in the final workshop described earlier.

17. The two local consultants: The consultants will be required for a period of 50 days of work each. The consultants 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, including the translation of relevant documents. The consultants will be responsible for collecting background materials, primary source materials, generating various data and the design of any surveys that may be envisaged. Much of the material will be in the Syldav language.

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, especially the NAO. The consultants will invite comments from the relevant stakeholders. The team will report to the SDB resident mission including to the co-chairs of the joint donor-government PFMRP Committee.

SDB Resident Mission
Syldavia City
April 5, 2007