

Section 3

Palestinian Governance Facility

Terms of Reference June 2016

1. DFID wishes to appoint a service provider to project manage and implement the one year extension period of key components of the existing Palestinian Governance Facility (PGF).

Objective

2. The **objective** of the programme is to improve the capacity of the Palestinian Authority (PA) to raise revenue and to plan, prioritise and manage expenditure, including donor funds over the medium term.
3. The programme will contribute to a peaceful and prosperous Palestinian state and society by improving fiscal sustainability, improving public satisfaction and lowering fiduciary risk.
4. The programme began in 2011 and was due to conclude in June 2016. The programme is now being extended to March 2017 to allow for the finalisation and procurement of the new successor programme. This extension will therefore build on the work of the existing programme.

Recipient

5. The recipient of services provided by this provider will be the PA, with the key counterpart now being the Ministry of Finance and Planning (MoFP)
6. The key counterparts previously were the Ministry of Planning and Administrative Development (MOPAD) and the Ministry of Finance (MoF). The PA issued a Cabinet Decision in December 2015 to dissolve MOPAD with key functions distributed between MoFP, the Prime Minister's Office and General Secretariat.

Scope

7. PGF is primarily implemented through the combination of (i) two consultancies providing technical assistance primarily in the form of international expertise and project coherence (ii) a direct grant from DFID to the PA for the draw-down of national expertise and any related workshop/report production expenses.

The direct grant is governed by a separate Memorandum of Understanding (MoU) between the respective PA ministry and DFID, though the consultancy

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will play a role in supporting effective administration of the grant. At MoFP, this will include supporting the ministry to:

- Provide accurate, regular forecasting of expenditure;
- Quarterly narrative and financial reporting;
- Produce written terms of reference for each staff recruitment to be agreed in advance by DFID.
- Advise on national experts inputs to ensure they are in line with the work plan.

8. In terms of inputs, the consultancy will provide:

Implementation phase

- International technical assistance (short and medium-term as required)
 - Project management (light touch)
 - Specialist translation and IT support as required
9. National expertise will primarily be contracted by the PA through the grant provided by DFID. However, some limited flexibility may be required for the consultancy to recruit national experts.

Methodology

10. The consultancy will be responsible for providing project documentation, including updating log-frames and providing detailed workplans. The consultancy will also be expected to regularly review progress of MoFP.

11. During the implementation phase, the PGF will provide the PA with technical assistance to:

- Support MoFP to improve the line ministry information on the allocation of staff to programmes, the programme cost of staff and programme management of staff.
- Enhancing General Directorate of Budget staff capabilities to manage the 2017-19 Budget Preparation.
- Further development of the Project Cycle Management System.
- Enhancing Planning and Budget Management Group (PBMG) capability for managing 2017-19 Budget Preparation.
- Providing advice, training and mentoring to help the PA to increase domestic revenue by strengthening the Revenue Department.
- Supporting MoFP to deliver the NPA.

11. The consultancy will play a coordination role, complementing and providing written input into the quarterly coordination group meetings. The consultancy will be expected to ensure that project inputs (via the international consultancy) within MoFP are aligned with the workplan, contribute to the impact and outcome of the project and are coherent with other work being undertaken by the PGF project. The consultancy will be expected to monitor

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the project's results and provide quarterly reporting with agreement from MoFP.

12. DFID will sign a Memorandum of Understanding governing the PGF with The Minister of Finance and Planning. The outputs will focus heavily on building capacity and further improving planning and financial management practice and procedures.
13. In MoFP, the project's primary strategic counterpart will be the Minister or his nominee. At a working level, primary counterparts will be the General Director for the Central Budget Department, the Accountant General, the Head of the Macro-Fiscal Unit, the head of the Revenue Department and the designated Project Coordinator.
14. MoFP will provide office space for consultancy staff within the ministry as required. It will assign an administrator from within the Ministry to manage the financial administration for the grant.

Outputs

At MoFP:

15. Building the MoF Macro-fiscal unit capacity to enable production of timely, monthly and quarterly reporting on budget implementation and a high-quality multi-year macro-fiscal framework that informs budget preparation, this is in cooperation with the IMF who is providing a long-term international adviser to support the unit.
16. Technical advisers will provide advice, training and mentoring to help deliver the second complete Budget Preparation Cycle, including detailed instructions, schedule, deadlines and pro-formas for Medium Term Budget Preparation in Part 1 of the Budget Circular. This will help to consolidate the PA's first ever complete budget preparation cycle in 2015, also supported by PGF
17. Technical advisers will provide advice, training and mentoring to help the PA to increase domestic revenue by strengthening the Revenue Department's ability to enforce tax collections and increase the number of registered taxpayers who are complying with tax regulations.
18. Advisers will support MoFP to deliver the new National Policy Agenda (NPA) through activities relating to supporting MoFP to review previous sector strategies, assisting in developing new sector strategy preparation guidelines, and training MoFP staff in the new sector strategy preparation guidelines and methodologies.

Reporting

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19. The consultancy will provide full narrative (including against the agreed logical-framework) and financial reporting on a quarterly basis. Technical meetings will also be agreed with the Ministry to focus on the Ministry's work-stream. DFID and the project contractor will attend these meetings.
20. For the extension period between June 2016 and March 2017, the consultancy will provide full narrative (including against the agreed logical-framework) and financial reporting on a quarterly basis.
21. The consultancy will report to DFID Palestinian's Programme Officer and Governance Adviser.

Timing

22. The project extension period will run over eight months. A contract will be issued for the extended implementation period. The programme is being extended to allow for the finalisation and procurement of the new successor programme. This extension will build on the work of the existing programme.
23. The new project extension period will begin on the 1st of July 2016 and will be completed on the 31st of March 2017.

Required skills

24. The project will need to be able to draw down on a wide range and depth of technical skills. This will include the following areas:
 - Capacity transfer
 - Accounting and reporting
 - Project management
 - Revenue management
 - Budgeting preparation and execution
 - Macro-fiscal capacity
 - Planning and policy
 - Monitoring and evaluation
 - Aid effectiveness
25. It is vital that consultants are able to demonstrate a track record in coaching/mentoring/skills transfer.
26. Understanding of the political environment and demonstrating sensitivity to the context is important. The core project team will need to have a strong track record of similar work in a similar or related context.
27. Strong project management skills will also be required, as may be translation and I.T. specialist skills.

Background

28. DFID has been working with the PA on governance reform since 2003, through the Public Administration and Civil Service Reform (PACSR) project up until 2007, and then the Governance Support Facility between 2007-2011. Before the election of Hamas in January 2006, PACSR was working with the PA to help build a modern, democratic and merit-based public service. This included assistance for improved: financial and human resources management; institutional development; performance management and service delivery; and policy and decision making mechanisms.
29. Following the election of a Hamas-led government not adhering to the Quartet principles, all financial and technical assistance to the PA was suspended. During this period PACSR was reoriented to strengthen the ability of civil society to lobby for reform and monitor government performance. It also reviewed reform efforts in the OPTs over the last 10 years and provided support to the Office of President (OoP) and its executive agencies (institutions that the UK was able to continue its working relationship with).
30. With the establishment of a new PA government in June 2007, PACSR re-established its close working relationship with the PA. Until 31 October 2007, PACSR provided technical assistance to the PA to formulate the Palestinian Reform and Development Plan (PRDP) 2008-10 (based on the principals of a Medium Term Expenditure Framework).
31. From 2007 to date, DFID has been providing governance support (including public financial management reform) to the PA through the Governance Support Facility (GSF) project. GSF originally provided technical assistance to the PA for the period November 2007 – March 2010 around three key areas:
- Integrated planning and budgeting: institutionalisation of the Palestinian Reform and Development Plan (PRDP) process
 - Public sector organisational restructuring: defining public sector policy and implementing organisational reform. A key element of this was the facilitation of capability reviews within PA ministries, with a focus on the restructuring of the Ministry of Planning and Finance.
 - Strengthening reform management institutions: support to strengthen the capacity of the Prime Minister's Office to better drive PA reforms and to communicate better with the Palestinian public.
32. Since then the emphasis has been on implementing programme budgeting and aligning it with national and sector strategic plans. A monitoring and evaluation department has been established and early capacity building has begun with key line ministries. Effort has also been devoted to strengthening aid effectiveness and standing up an aid management database. This phase of support completed in February 2011. A draft logical-framework for the next phase of support is attached as an annex.

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Additional scope (added in the March 2013 amendment)

This additional scope enables the expansion of work with respect to the work of the Palestinian Governance Facility (PGF) under Logframe Output 3 and covers:

1. An expansion of the work on Programme Budgeting
2. Following up the Health and Education Efficiency Study Action Plans

The revision with respect to programme budgeting arises from the faster than expected progress in delivering the reforms outlined in Output 3 of the PGF Logframe (Programme Budgeting) which was agreed at inception. This good progress has created an opportunity to **deepen the reforms to the budgeting system within the life of the PGF project. The inputs required to deliver this deepened PB reform process** are significant. A support team will be established comprising external and local consultants to support the Core Team which has already been established in the CBD, to take up, and operationalise, these deeper budget reforms. The main task of this enlarged team is to mentor the staff of the CBD and the line ministries in the operationalisation of the system across the PA. **This is an expansion of the work included in the original TOR under output 3 (programme budgeting) and is captured in a revised set of indicators under output 3 in the new logframe.**

In addition, the contract revision makes provision for the financing of new, unanticipated **follow-on work from the Efficiency Studies conducted in 2011-12 in the ministries of Health (MoH) and Education (MoE)** and for which Action Plans have recently been successfully approved by each of these ministries. This provides an opportunity to identify areas for specific efficiency improvements in service delivery in these two critical sectors. Inclusion of the follow-up to the Efficiency Study in the PGF provides an opportunity for providing a strong linkage from identified management or other reforms which will yield efficiency improvements in the budget preparation process, thereby fast-tracking the achievement of the identified efficiency improvements. This component, which addresses Output indicator 3.5 in the revised logframe, would be fully financed from the proposed increase in the PGF TA contract. **This work, captured in the new indicator 3.5, was not included in the original TOR.**

Additional scope (added in the October 2014 amendment)

The additional scope covers an expansion of work in the following 4 outputs of the revised PGF Logframe:

- **Output 1** – Revenue
- **Output 2** – Fiscal framework
- **Output 3** – Programme Budgeting A (Systems and institutional arrangements established): As a result of the log frame revision, work under the initial Output 3

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over the remainder of the project will be divided into two separate outputs. Output 3 captures those activities related to establishing the systems and necessary institutional arrangements for successful programme budgeting.

- **Output 4 - Programme Budgeting B (Capacity established):** This is a newly defined output under which we have grouped all capacity development activities for the GDB and LMAs to effectively manage the strengthened programme budgeting system.

All activities programmed until March 2015 have been scoped and designed to deliver a more ambitious Logframe than originally planned in the PGF ToR. Outputs 1 and 2 have not changed and the increased level support is reflected in additional Logframe activities and/or end of project targets. **The programme budgeting output has been split into two**, one relating to systems and institutional arrangements and one more related to the activities needed to establish Government capacity to effectively manage those systems and arrangements. New activities in both programme budgeting outputs will progress the programme budgeting reforms well beyond the original Output 3 and, again, are reflected in additional Logframe activities and/or end of project targets.

The scope of the additional work can be summarised as follows:

Output 1 – Revenue

Given the momentum and good progress in implementing the recently completed Revenue Mobilisation Strategy (2014-16) under Output 1, additional resources to this work stream will **help deliver the Strategy in further reform areas than originally anticipated in the Logframe.**

Output 2 – Fiscal framework

Most of the additional work envisaged under Output 2 (fiscal framework) will focus on **supporting the MFU and the GDB (largely) to establish Medium Term Programme Budget Preparation Ceilings.** This is a key product in GDB's 2015 National Budget Preparation Calendar under Output 3 of the PGF project. Dedicated external mentoring and support to the MFU will continue to decrease in accordance with the original log frame. However, we have kept this additional technical assistance under this Output on the grounds that total expenditure ceilings should be captured in the macro-fiscal framework tool.

Outputs 3 and 4 – Programme Budgeting

The ToRs provide only general guidance as to the nature of the revision of the PB system to be undertaken. The scope of work for Output 3 has been substantially expanded throughout the life of the PGF project as a result of the strong ownership and accelerated pace of capacity enhancement in the GDB, resulting in two Programme Budgeting Outputs in the latest log frame. Following a major planning exercise in early January 2014, the first of its kind undertaken by the GDB, the above mentioned National Budget Management Calendar (the first time a tool of this nature has been developed for or by SoPG staff) was established for the 2015 Budget. **The additional activities proposed under the increased budget for Outputs 3 and 4 are entirely timed around the Budget Calendar and structured around GDB Output Managers, who were appointed following the major planning exercise.**

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Additional scope: Consolidation in the work of the Palestinian Governance Facility (PGF) from April 2015 to end June 2016

This additional scope covers the following 4 revised logframe outputs:

Output 1: Revenue

Result: *Enhanced revenue reform through the completion of 7 activities from the Revenue Action Plan.*

Output 1 activities will focus on revenue generation by supporting the completion of 7 activities of the Revenue Mobilisation Strategy 2014-16 (which superseded the Revenue Action Plan in February 2014). A clear commitment to the Revenue Mobilisation Strategy 2014-16 is a pre-condition for resolving the fiscal crisis and to direct serious attention to medium-term revenue reforms in the OPTs. The updated Strategy is now half-way through implementation. Support will include:

- Establishing a fully functional identification/registration unit;
- Increasing the professional abilities of audit and collections staff;
- Beginning an enhanced compliance programme for the Income Tax and VAT directorates, to include a penalty regime (commencing with a Taxpayer Awareness programme);
- Starting a forecasting and performance planning and reporting programme for both Income Tax and VAT directorates (addressing links with budget reporting and financial reporting);
- Initiating the development of a complete communications programme for the MoF; and,
- Supporting the Revenue Management System (IT system).

Output 2: MFU

Result: *MFU staff have capability to prepare the complete budget statement using the strengthened set of technical tools.*

This will include limited dedicated technical assistance to support the Macro Fiscal Unit under Output 2 (fiscal framework) over 2015/16 to quality review the on-going development of the MFU's technical tools (Integrated Macro-fiscal framework and format for budget statement). In addition, support will be given to the PA more widely (in particular the General Directorate of Budget – GDB) in further utilising the framework to establish medium-term programme budget preparation ceilings. **This is likely to be a key technical feature during the preparation of the 2016 national budget by the GDB.**

Output 3: Programme Budgeting A

Result: *Anchoring of the programme-based budgeting system by strengthening the institutional arrangements for planning and budgeting.*

PGF TA support under this result will be required to provide advice, training and mentoring in the following activities:

- Anchoring and progressing the strengthened planning and budgeting processes through the 2016-18 medium-term budget preparation cycle across government;

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- Revising, if required, the Procedures Manual for medium-term programme budget preparation;
- Consolidating the process for allocation of PA staff to service delivery programmes across Government;
- Developing further the Project Cycle Management System (PCMS) for capital projects and integrating the PCMS with the budget process;
- Implementing the methodology (proposed in 2014) for establishing medium-term programme budget preparation ceilings (including ceilings for capital project ceilings);
- Building on the preliminary advice and support provided during 2014 for institutionalising programme budgeting and related reforms under revised budget system legislation; and,
- Preparing budget implementation guidelines, including the detailing of procedures for those components that should be introduced during 2016.

Output 4: Programme Budgeting B

Result: *Consolidation of the capacity of staff of General Directorate of Budget and Line Ministries for effective management of the strengthened programme budgeting system through another budget cycle.*

Support under this result will be required to provide advice, training and mentoring through the following activities:

- Supporting the MoF in introducing a process whereby there are 3-4 meetings of stakeholders (including GDB and MFU) to discuss and agree upon a macro framework as input to the various stages of budget preparation and completion;
- Consolidating and advancing improvements in internal management within the GDB, including institutionalising arrangements for planning, scheduling and implementing GDB outputs and work tasks for managing national budget preparation;
- Continuing a basic work programme of support to the Ministry of Health's Efficiency Action Plan following recent recommendations, including clinical experience for Palestinian doctors at UK NHS facility;
- Deepening support to the management and organisational arrangements for implementing programme budgeting in four key ministries / agencies previously identified (including Education, Health and Social Affairs and, potentially, the security agencies); and,
- Supporting any planned preparatory work by MoPAD for the new National Development Plan to ensure that the 2017-19 methodology delivers a fully integrated policy, planning and budget process for the PA.

Schedule of Work

With respect to the programme of work outlined above, the schedule of work for the consolidation of the Palestinian Governance Facility (PGF) from April 2016 to end March 2017 2016 is divided into 4 phases:

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1. April-June 2016: Support to the preparation of the 2018 Annual Budget and 2019-20 Medium Term Programme Budget and the Revenue mobilisation Strategy 2018-20. With additional support to activities relating to the New National Policy Agenda.
2. July-September 2016: Support to the preparation of the 2019 Annual Budget and 2020-22 Medium Term Programme Budget and the Revenue Mobilisation Strategy 2020-22. With additional support to activities relating to the New National Policy Agenda.
3. October-December 2016: Support to the preparation of the 2020 Annual Budget and 2022-24 Medium Term Programme Budget and the Revenue Mobilisation Strategy 2020-22. With additional support to activities relating to the New National Policy Agenda.
4. January-March 2016: Support to the preparation of the 2021 Annual Budget and 2024-26 Medium Term Programme Budget and the Revenue Mobilisation Strategy 2020-22. With additional support to activities relating to the New National Policy Agenda.
5. April 2016 – June 2016: Support to the preparation of the 2022 Annual Budget and 2026-28 Medium Term Programme Budget and the Revenue Mobilisation Strategy 2020-22. With additional support to activities relating to the New National Policy Agenda.
6. June 2016- March 2017: Project completion, and handover period with the successor programme with overlap of the two programmes to allow for a smooth transition.

DFID Jerusalem
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