

Section 3 **Terms of Reference**

(Revised October 2014)

Palestinian Governance Facility

1. DFID wishes to appoint a service provider to (i) provide design input and (ii) project manage and implement a new, three-year 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.

Recipient

4. The recipient of services will be the PA, with key counterparts being the Ministry of Planning and Administrative Development (MoPAD) and the Ministry of Finance (MoF).

Scope

5. PGF will be primarily implemented through the combination of (i) a consultancy 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.
6. The direct grant will be governed by a separate MoU between the respective PA ministries and DFID, though the consultancy will play a role in supporting effective administration of the grant.

At MoPAD 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.

At MoF this will include supporting the ministry as above and advising on national expert inputs to ensure they are in line with the work-plan.

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

Project design phase

- Project design support

Implementation phase

- International technical assistance (short and medium-term as required)
- Project management (light touch)
- Specialist translation and IT support as required

8. 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

9. In the design phase, the consultancy will be responsible for finalising project documentation, including a log-frame (2011-13) and a detailed workplan (for the first year). The consultancy will also be expected to review progress to date of the Ministry of Finance (MoF) and the Ministry of Planning and Administrative Development (MoPAD) to establish baseline indicators for the project log-frame.

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

At MOF

- build MoF macro-fiscal unit capacity to enable production of a timely, good-quality multi-year macro-fiscal framework;
- revise the programme-based budgeting system in which resources are allocated and spent against PA strategic priorities; assist the PA in rolling this out across line ministries;
- implement revenue reform interventions identified by the IMF.

At MOPAD

- build PA capacity to produce national and sectoral plans in line with international best practice, with particular emphasis on line ministries;
- build PA capacity to do monitoring and evaluation which feeds into the policy making and review process, particularly in line ministries and other budget entities;
- establish systems and sustainable capacity to ensure that donor aid is aligned with PA priorities.

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 each ministry are aligned with the workplan, contribute to the impact and outcome of the project and are coherent across the two ministries. The consultancy will be expected to monitor the project's results and provide quarterly reporting (with input from the respective ministries).
12. DFID will sign an MoU governing the PGF with both the Minister of Planning and Administrative Development and the Minister of Finance. The outputs will focus heavily on building capacity (particularly in line ministries) and further improving planning and financial management practice and procedures.
13. In MoPAD, the Minister will be the project's primary strategic counterpart. At a working level, primary counterparts will be the Director General Policy/Planning, DG Monitoring and Evaluation and a senior member of the Aid Management and Coordination Directorate.
14. In MoF, 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.
15. Both ministries will provide office space for consultancy staff within their ministries as required. They will both assign an administrator from within their respective ministries to manage the financial administration for their respective grants.
16. The consultancy will lead in managing one, coherent work-plan that will provide support to MoF and MoPAD. However, the work-plan will be divided into two sub-sections covering support to MoPAD and MoF. Budget allocations for these separate sub-sections will also be agreed at the outset.

Outputs

17. During the design phase, the consultancy will work with DFID and the PA to produce a log-frame, and following this a work-plan (including a finalised budget for the implementation phase) with timed outputs for the implementation phase. These outputs should be completed by 31 January 2012. The consultancy will be responsible for delivering the following outputs, in conjunction with the PA's use of the grant:

At MoF

18. 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 are providing a long-term international adviser to support the unit.

19. Establishing a programme-based budgeting system in which resources are allocated and spent against PA strategic priorities.

20. Implementing revenue reform in line with IMF recommendations.

At MoPAD

21. Building PA capacity to produce national and sectoral plans in line with international best practice. These plans should be multi year and investment plans should take into account the implications for related recurrent spending.

22. Building PA capacity to do monitoring and evaluation which feeds into the policy making and review process. This capacity should be developed in the macro-fiscal unit as far as budget implementation is concerned and in MoPAD in as far as project implementation is concerned.

23. Establishing systems and sustainable capacity to ensure that donor aid is aligned with PA priorities. Particular emphasis should be given to the effective implementation of the database coordinating donor aid (DARP).

24. The consultancy will focus on providing support to strengthen the capacity, skills and understanding of staff in MoF and MoPAD. The aim is for the consultancy to deliver through counterparts rather than substituting capacity or directly delivering outputs. The logical framework will capture this approach.

25. The consultancy will be required to coordinate activity and priorities at MoF with World Bank and IMF public financial management advisers already in place.

Reporting

26. The consultancy will provide full narrative (including against the agreed logical-framework) and financial reporting on a quarterly basis. Monthly technical meetings will also take place at each ministry, focusing on their respective workstreams. DFID and the project contractor will attend both. MoF and MoPAD will only attend their respective meeting. The consultancy will draw-on input from the PA to include financial reporting on the DFID grant to the PA in the quarterly reporting.

27. The consultancy will report to DFID Jerusalem's governance adviser.

Timing

28. The project will run over a three year and four month period. A contract will initially be issued for the design phase with a contract extension issued for the implementation period subject to DFID's satisfaction with the project design and the supplier's performance; and to satisfactory agreement of the implementation budget. Transition from one period to the next will be as seamless as possible if DFID and the PA are satisfied with the deliverables under the design phase. However, there might be a short break between phases. DFID reserves the right to retender the implementation work if these conditions cannot be met.
29. The project (commencing with design phase) will begin on 28 November 2011 and be completed on 31 March 2015.

Required skills

30. 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
31. It is vital that consultants are able to demonstrate a track record in coaching/mentoring/skills transfer.
32. 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.
33. Strong project management skills will also be required, as may be translation and I.T. specialist skills.

Background

34. 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.

35. 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).
36. 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).
37. 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.
38. 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.

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 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.**

(Redacted)
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