

MODERNIZATION OF PUBLIC FINANCIAL MANAGEMENT SYSTEMS AT THE SUB-NATIONAL LEVEL

RG-T2635

CERTIFICATION

I hereby certify that this operation was approved for financing under the Public Capacity Building Korea Fund for Economic Development (**KPC**) through a communication dated July 7, 2015 and signed by Suyeong Yu, Director of the International Finance Bureau, Ministry of Strategy and Finance of the Republic of Korea. Also, I certify that resources from said fund are available for up to **US\$600,000** in order to finance the activities described and budgeted in this document. This certification reserves resources for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.

ORIGINAL FIRMADO

11/02/2015

Sonia M. Rivera
Chief
Grants and Co-financing Management Unit
ORP/GCM

Date

APPROVAL

Approved: ORIGINAL FIRMADO

11/03/2015

Vicente Fretes
Division Chief
Fiscal and Municipal Management Division
IFD/FMM

Date

Technical Cooperation Document

I. Basic Information

▪ Country/Region:	Regional
▪ TC Name:	Modernization of Public Financial Management Systems at the Subnational Level
▪ TC Number:	RG-T2635
▪ Team Leader/Members:	Hyungon Kim (IFD/FMM), Team Leader; Axel Radics (IFD/FMM), Alternate Team Leader; Carlos Pimenta (IFD/FMM), Emilio Pineda (FMM/CUR), Ramiro López Ghio (FMM/CCO), Belinda Pérez (FMM/CDR), Mónica Lugo (LEG/SGO); and Mariana Canillas (IFD/FMM) Project Assistant.
▪ Taxonomy:	Research and Dissemination
▪ Date of TC Abstract:	July 2015
▪ Beneficiary:	Latin America and the Caribbean countries
▪ Executing Agency	Inter-American Development Bank through the Fiscal and Municipal Management Division (IFD/FMM)
▪ Donors providing funding:	Public Capacity Building Korea Fund for Economic Development (KPC)
▪ IDB Funding Requested:	US\$ 600,000
▪ Disbursement period:	34 months; execution: 30 months
▪ Required start date:	November 2015
▪ Types of consultants:	Firms and individual consultants
▪ Prepared by Unit:	IFD/FMM
▪ Unit of Disbursement Responsibility:	Institutions for Development Sector (IFD/IFD)
▪ Included in Country Strategy;	No
▪ TC included in CPD:	No
▪ GCI-9 Sector Priority:	Institutions for Growth and Social Welfare

II. Objective and Justification

2.1 Public Financial Management¹ (PFM) and Fiscal Decentralization (FD) are two major pillars of public finance reforms, with the potential to benefit overall public sector performance as well as benefit each other. PFM reforms are vital for attaining the expected benefits of FD because they maintain fiscal discipline, efficient provision of public services, and accountability of subnational governments² (SNGs) to higher levels of government and local constituents. At the same time, the quality and performance of subnational PFM are heavily dependent on the level and nature of FD.

2.2 However, the relationship between PFM reforms and FD is not well established in practice. These often proceed separately, and at times in fundamentally inconsistent ways in many countries. While PFM systems at the central level have become one of the key reform areas in developing countries, the capacity of, and the conditions for PFM at the subnational tiers of government have received much less attention.

¹ PFM deals with the set of systems that cover all aspects of managing public financial resources. The key objectives of PFM is maintaining a sustainable fiscal position, the effective allocation of resources, and the efficient delivery of public goods and services (Cangiano, Curristine and Lazare, 2013).

² The term 'subnational government' includes all levels of government below the national level.

- 2.3 In the last two decades, Latin American and Caribbean (LAC) countries have achieved important innovations in PFM such as the adoption of performance-based budgeting and medium-term expenditure frameworks (MTEFs) at the central level. On the other hand, LAC has seen a general trend of increasing FD levels, with significant variations across countries; the average subnational spending in LAC rose dramatically from 19% of general government expenditures in 2004 to 25% in 2012.³ In particular, public expenditure on social health and education accounts for 40% of total subnational spending in the region⁴. The ongoing trend of FD in LAC is likely to continue in the near future coupled with increasing pressures on social spending, stemming from an aging population.
- 2.4 In this respect, there is a strong and growing interest amongst development practitioners and policy makers in LAC regarding PFM at the subnational level. However, the information is still too limited to identify general trends and characteristics of PFM quality at the subnational level and its relation with the national PFM system. Moreover, it varies depending on different characteristics of FD in each country whether PFM systems of subnational governments are integrated into or developed independently of the national system. Within this context, it is crucial that the transfer of responsibilities by FD be matched by equal efforts to increase subnational PFM capacity, which in turn leads to overall PFM performance .
- 2.5 Against this backdrop, the objective of this Technical Cooperation (TC) is twofold: i) to develop a comparative analytical framework that assesses PFM systems at the subnational level in main areas of PFM such as Governance, Budgeting, Revenue Mobilization, Public Investment, Treasury Management, Accounting and Financial Reporting, Procurement, and Integrated Financial Management Information System (IFMIS); and ii) to apply the framework through survey to public servants of national governments and SNGs in three selected countries, and thereby identifying and comparing subnational PFM systems and their relations with the national level.
- 2.6 The motivation behind the inclusion of these areas and major indicators in each area are described below:
- a. PFM governance and political economy is an important means for realizing greater control, predictability, accountability and transparency in resource allocation and service delivery. In LAC, while there is a wide range of maturity in PFM governance at national level, a number of countries provide limited comprehensive and publicly available information concerning budget plans and execution. In addition, subnational PFM in some countries does not operate independently of national government. In this context, the team will develop indicators on subnational PFM governance across legal and regulatory frameworks, public access to information, internal controls, and the relationship between national and subnational government.

³ On average, the southern cone countries account for 35.56%, the Andean countries is 32.55% and Central American countries is 13.67%, IDB Sectoral Knowledge Framework.

⁴ See Ter-Minassian and Jimenez (2011), Macroeconomic Challenges of Fiscal Decentralization in Latin America in the Aftermath of the Global Financial Crisis, ECLAC.

- b. Budgeting is one of the most critical areas in PFM. In LAC countries, the budget is the main policy document through which public expenditures, accounting for approximately 28% of Gross Domestic Product (GDP), are channeled towards priority need. However, the quality of the budget in terms of fiscal consistency, distributive efficiency, effectiveness, and performance towards specific results is still very low (IDB, 2014; OECD, 2014). Therefore, this project will focus on developing indicators that measure budget credibility and transparency, mid-term expenditure frameworks, and performance-based budgeting.
- c. In the area of revenue mobilization, subnational revenues remain limited and fiscal transfers from central levels constitute the main source of revenue, which invariably impacts PFM systems and performance. In most LAC countries, subnational governments do not typically have the authorization to borrow in order to cover short- or long-term financing gaps. For this reason, the team will develop indicators that shed light on subnational tax autonomy, vertical fiscal imbalance, and subnational tax offices' performance.
- d. Public investment is a very important driver of economic and social development. Consequently, most LAC countries have adopted a wide range of public investment systems in each cycle of public investment: from planning to implementation, monitoring, and evaluation for their effectiveness. However, public sector investment in the region does not exceed on average 7% of GDP, including public companies' investments, and the decision of public investment has not always been based on feasibility studies or cost-benefit analysis. The IDB team will provide indicators mainly on project appraisal, project selection, project management and implementation, and project evaluation and audit.
- e. Treasury management including cash management, debt management⁵, and financial risk management is essential for ensuring an efficient use of resources. In particular, Treasury Single Account (TSA) is a key component for transparency and improved integration on budget execution, which enhances effectiveness and oversight. However, in LAC, cash flow forecasting and the coverage of TSA at the subnational level are generally limited. Considering this situation, this TC proposes to evaluate accuracy of cash flow forecasting, TSA coverage and operationalization, and the quality of subnational public debt management.
- f. The high-quality, robust, and effective accounting and financial reporting are integral to enhancing accountability and transparency in PFM. In spite of timeliness and regularity of accounts reconciliation and the quality of annual financial statements in LAC, many countries adhere to the cash basis of accounting and have challenges providing information to budgetary entities on available resources and outturn reporting. Therefore, the TC will develop indicators on cash or accrual-based accounting practices, the quality and timeliness of in-year budget reports, and the quality of annual financial statements.

⁵ Given that a government's debt portfolio is usually the largest financial portfolio in the country and has the potential to generate substantial risk to the government's balance sheet and overall financial stability, sound debt management is another key component to increase the efficiency of treasury management.

- g. Procurement in the public sector is an important instrument to ensure sound, efficient and transparent management of public resources. Although procurement across the consolidated public sector accounts for approximately 15% of GDP in LAC, on average, most countries exhibit challenges in the linkage between the procurement function and financial management, which is weak and has not been covered in a systematic manner.⁶ For this reason, procurement indicators at the subnational level will be devised to assess multi-year procurement plans, procurement information systems, and supplier and contract management. .
 - h. IFMIS is critical for modernization of PFM systems at both national and subnational levels. In the last decades, LAC has seen the largest number of IFMIS. Yet, only a few of countries have fully implemented a complete IFMIS system, which weakens PFM in general, hindering budget execution, and financial reporting especially in SNGs. In this respect, comparative indicators will be developed to assess increased percentage of government expenditure, government contracts, and delays in payment covered through IFMIS. This will illustrate opportunities to extend current implementation to fuller coverage of all PFM functionalities.
- 2.7 In addition, this TC aims to facilitate development of subnational PFM modernization plans for three selected SNGs, one for each participant country of the pilot project. In particular, given that SNGs need to know if policy measures implemented elsewhere are potentially suitable for them, these plans aim to identify areas for improvement and to produce a transferable guide that motivates other SNGs in LAC to carry out projects that modernize their PFM systems.

III. Description of Activities/Components and Budget

- 3.1 The TC will finance: (i) diagnosis of current PFM at the subnational level; (ii) pilot projects for subnational PFM modernization; and (iii) knowledge dissemination through the publication of a paper and a policy dialogue event.
- 3.2 **Component I. Diagnosis of PFM at Subnational Level.** This component involves the following activities; (i) design of a PFM assessment framework; (ii) development of survey to be applied to public servants of national government and SNGs in three selected countries; and (iii) conduction of survey and analysis of results.
- 3.3 **Activity 1. Design of Subnational PFM Assessment Framework.** The first step is to design the comparative, analytical framework that will facilitate analysis in the aforementioned areas of subnational PFM systems. To create the framework, various standardized assessment tools will be considered.⁷ In line with the assessment framework, surveys for public servants will be designed to measure performance of PFM systems, processes and institutions and to identify key strengths and weaknesses in their PFM systems.

⁶ IDB (2014). Public Financial Management in Latin America: Advances in public procurement in Latin America and the Caribbean 2002-2012.

⁷ Such as Public Expenditure and Financial Accountability (PEFA), IMF Fiscal Transparency Code, Open Budget Index, Public Expenditure Review (PER), and IDB PRODEV Evaluation System (SEP).

- 3.4 **Activity 2. Selection of Participant Countries and Application of the Framework through Surveys.** The three countries may be selected based on two levels of criteria related to different degrees and characteristics of FD. The first level of criteria is political and institutional confirmation of governments (Federal vs. Unitary) and the geographical size (Large vs. Small). The other is the degree of decentralization and technical autonomy of SNGs such as institutional and political autonomy, taxing power, fiscal imbalance, and autonomy of budget allocation and expenditure management. And then, about 10 SNGs from each country will be selected through consultations with Ministry of Finance from each country. In short, approximately a total of 30 SNGs in 3 countries will participate in surveys.
- (i) Federal Country (e.g. Argentina, Brazil, or Mexico): where FD reforms are fully in place. SNGs tend to have a relatively high degree of autonomy in collecting revenue, borrowing money, and expenditure/revenue assignment.
 - (ii) Large Unitary Country (e.g. Colombia, Peru, Chile, etc.): where FD reforms are at the intermediary stage. SNGs may have robust expenditure and revenue assignments but have limited discretion or autonomy in terms of taxing power, and expenditure decision.
 - (iii) Small Unitary Country (e.g. Dominican Republic, Costa Rica, Guatemala, etc.): where the intermediate level of government does not exist or municipal government is the only instance of SNGs with a variety of autonomy in taxation and expenditure decision.
- 3.5 Surveys will be conducted mainly for the Finance Secretariats at the central and subnational levels. For some areas, public servants working in line ministries at the central and subnational levels can also be surveyed. In order to obtain high participation of SNGs in this survey and to understand local contexts, local consultants will be hired to cooperate with IDB's country offices in sample countries.
- 3.6 **Activity 3. Analysis and Evaluation.** This component will process data cleaning and analyze data collected through the survey under Activity 2. The analysis will focus on delineating the state of PFM in LAC and practices in some dimensions described in Activity 1. In particular, the team will elaborate a Policy Chapter, whose theme will contain policy recommendations for PFM reform based on data collected. These results will be discussed through a workshop or seminar in each country.
- 3.7 **Component II. Pilot Projects for Subnational PFM Modernization.** The TC will finance the design of three pilot case studies to be conducted in three selected SNGs, one for each participant country. These pilot projects will be aimed at identifying the specific areas for improvement in the selected SNGs and providing modernization plans of the area-related PFM system, with the goal of making the subnational PFM more transparent and efficient. In order to induce active engagement of SNGs in this pilot projects, local consultants will be hired to provide in-depth analysis as well as a more detailed modernization plan in cooperation with the Finance Secretariats at both central and subnational levels.
- 3.8 **Activity 1. Selection of SNGs and Design of Pilot Projects.** Drawing on the findings from the survey, some targeted SNGs that demonstrate innovative capacity and offer contrast will be noted by the research team. These SNGs will then be

considered as potential candidates for further investigation through case studies. Finally, in cooperation with the Finance Secretariats at both central and subnational levels, 3 SNGs, one from each country, will be selected.

- 3.9 Activity 2. Production of Subnational PFM Modernization Plans.** The team will carry out three case studies in line with the Activity 1 through additional data collection and interviews for subnational government officials. Then, there will be thorough investigations and in-depth analysis of specific areas and then the PFM modernization plan for each SNG will be developed. To this end, more tailored consultancy services will be provided to encourage public officials to commit to the whole process and to foster ownership of participating SNGs.
- 3.10 Component III. Knowledge Dissemination.** This component will finance the consulting services to prepare a paper integrating the survey results and comparisons between countries, including the case studies and PFM modernization plans. In this sense, this component will also promote the regional policy dialogue event on PFM and provide a window for continuity of the cooperation framework on subnational PFM assessment and reform in the LAC region. In doing so, if possible, Korean experts will support this activity.
- 3.11 Expected Results.** At the end of this TC, the Bank will strengthen its knowledge of subnational PFM practices and performance, thereby, improving its ability to provide better policy advice to countries in the region. The main expected products include a series of framework, surveys, workshops, case studies and PFM modernization plans.⁸ The expected outcome relates to public servants' better recognition of their PFM systems and motivation to modernize their systems.

Table 1. Indicative Result Matrix

Indicators	Unit	Base line	Target	Verification Method
Outputs				
Component I. Public Financial Management assessment framework ⁹	Framework	0	1	IDBDOCS
Component I. Surveys for public servants at both central and subnational governments	Survey	0	3	IDBDOCS
Component I. Workshops on surveys	Workshop	0	3	IDBDOCS
Component II. Subnational Public Financial Management modernization	Plan	0	3	IDBDOCS
Component III. Publication	Paper	0	1	IDBDOCS
Component III. Policy dialogue event	Event	0	1	IDBDOCS
Outcomes				
Subnational governments that improve their knowledge on Public Financial Management systems and recognize the need to develop them ¹⁰	Subnational government	0	10	Survey
Subnational governments that demand technical assistance in the design of Public Financial Management modernization	Subnational government	0	3	Letter of Request

⁸ The PFM assessment framework will be expected to be delivered until March, 2016, surveys until July, 2016, workshops until November, 2016, case studies until March, 2017, and PFM modernization plans until July, 2017.

⁹ The PFM assessment framework will be finalized through the internal review and consultations with public servants of participating countries on the draft delivered by the consultant as a part of Component 1 during the period of Activity 1. The PFM assessment framework covers all areas mentioned in 2.6.

¹⁰ The self-reporting perception survey will be conducted after the workshops.

3.12 The total cost of the TC is US \$600,000, which will be financed by KPC. The summary budget structure is displayed in Table 1(see [Detailed Budget](#)).

Table 2. Indicative Budget (US\$)

Component	Description	KPC Fund
Component 1. Diagnosis of PFM at Subnational Level and Its Relation with National Level	Creation of the framework to assess the state of subnational PFM as well as surveys for public servants	240,000
Component 2. Pilot Projects for Subnational PFM Modernization	In-depth analysis on selected countries and individual consultant services and travel	273,000
Component 3. Knowledge Dissemination	Publication of a paper and dissemination events	68,000
Contingencies		19,000
TOTAL		600,000

IV. Executing Agency and Execution Structure

4.1 The Bank will be responsible for contracting consultants and carry out the selection and hiring of consulting firms and non-consulting services in accordance with the Bank procurement policies and procedures. Technical and disbursement responsibility will be under the supervision of Mr. Hyungon Kim (IFD/FMM)¹¹.

V. Major Issues

5.1 The first risk is the unwillingness of stakeholders to participate in the data collection process. To mitigate this risk, the team is working through existing IDB networks¹² in order to promote the usefulness of the surveys in Component I. The second risk is ensuring the quality of survey. To assuage this risk, the team will adapt each survey to fit the regional context, crosscheck the data with third party sources, and work with IDB country offices to validate the collected data.

VI. Exceptions to Bank Policy

6.1 This TC does not anticipate any exceptions to Bank policy.

VII. Environmental and Social Strategy

7.1 There are no environmental or social risks associated with the activities outlined in this TC. According to the Environmental and Safeguards Compliance Policy (OP-703) this TC has been classified as category C (see [Safeguard Filters](#)).

Required Annexes:

- Annex I: [Approval letter from the donor](#)
- Annex II: [Terms of Reference](#)
- Annex III: [Procurement Plan](#)

¹¹ Progress reports and financial reports will be presented annually through the GCM system and other internal mechanisms and will be recorded in IDBdocs.

¹² Latin American and Caribbean Community of Practice on Managing for Development Results (CoPLAC-GpRD) is an example of the IDB networks.



MINISTRY OF STRATEGY AND FINANCE
REPUBLIC OF KOREA

DATE: July 7, 2015

TO: Ms. Sonia M.Rivera
Unit Chief
Grants and Co-financing Management Unit
Inter-American Development Bank

SUBJECT: Modernization of Public Financial Management System at the Sub-national Level

In reply to your request, I am pleased to inform you that the Ministry of Strategy & Finance has approved the proposals for the following projects to be financed by the Korea Public Capacity Building Fund for Economic Development.

Project Title	TC Number	Amount (US\$)
Modernization of Public Financial Management System at the Sub-national Level	RG-T2635	600,000

Sincerely yours,

Suyeong Yu
Director
International Financial Institutions Division
International Finance Bureau
Ministry of Strategy and Finance
Republic of Korea

Regional

IFD/FMM

Design of assessment framework and Support of research on subnational PFM in Latin America and the Caribbean

TERMS OF REFERENCE

I. Background

- 1.1. Public Financial Management (PFM)¹ and Fiscal Decentralization (FD) are two major pillars of public finance reforms, with potential to yield benefits to the overall public sector performance. These two reforms are expected to benefit each other. PFM reforms are vital for attaining the expected benefits of FD because of their critical role in maintaining fiscal discipline, efficient provision of public services, and accountability of subnational governments² (SNGs) to higher levels of government and local constituents.
- 1.2. At the same time, the quality and performance of subnational PFM are heavily dependent on the level and nature of FD; in other words, the spectrum of SNG varies considerably in their size, composition, and degree of autonomy among and within countries in LAC.
- 1.3. However, the relationship between PFM reforms and FD, apparent in principle, is not well established in practice. In the last two decades, although LAC countries have seen a general trend toward an increased level of FD with significant variations across countries, PFM performance at the subnational government level in some LAC countries appears to be relatively weak. This may be due to the fact that PFM at the subnational tiers of government to date have received much less attention compared with the development of PFM at central governments, which have become one of the key reform areas in LAC.
- 1.4. In this respect, this TC seeks to identify challenges of PFM at the subnational level in selected Latin America and the Caribbean (LAC) countries and recommend areas for improvement, with the end goal of making the handling of subnational public spending more transparent, effective, and efficient. This project will establish the analytical framework to assess the state of subnational PFM coupled with diagnostic survey questionnaires. In particular, this assessment will provide underlying PFM indicators in the following areas: (i) PFM governance; (ii) Budgeting; (iii) Revenue Mobilization; (iv) Public Investment; (v) Treasury Management; (vi) Accounting and Financial Reporting; (vii) Procurement; and (viii) Integrated Financial Management Information System. Drawing on the findings from the survey, a few pilot projects will be conducted with the aim of providing policy recommendation for PFM

¹ PFM deals with the set of systems that cover all aspects of managing public resources, including resource mobilization and debt management. The key objectives of PFM is maintaining a sustainable fiscal position, the effective allocation of resources, and the efficient delivery of public goods and services (Cangiano, Currissine and Lazare, 2013).

² The term 'sub-national government' includes all levels of government below the national level.

modernization at the subnational level based on different degrees and characteristics of FD.

II. Objectives of the Consultancy

- 2.1 Assist in the design of an analytical framework and a couple of pilot projects that will assess the current state of PFM at subnational level in the eight areas described above.
- 2.2 Collect, sort, tabulate, and chart data from the aforementioned surveys.
- 2.3 Produce the English and Spanish versions of publications on modernization of subnational PFM in LAC.

III. Main activities

- 3.1 The selected candidate will:

Assist in the design of an analytical framework coupled with surveys that will assess the current state of PFM at the subnational level in the eight areas described above.

- a) Formulate analytical framework coupled with surveys by benchmarking several internationally standardized assessment tools.
- b) Apply and revise survey instruments in collaboration with a list of partners and technical focal points in each of the participating countries.

Design pilot projects that will further investigate the current system and identify specific areas for improvement in a couple of selected SNGs.

Collect, sort, tabulate, and chart data from the aforementioned surveys.

- a) Prepare online interfaces for data collection and provision of related technical support;
- b) Conduct instructional workshops for survey respondents (government officials of selected countries) and IDB country/field staff;
- c) Collect preliminary data responses from government officials;
- d) Specify the guidelines for implementing the quality control of preliminary responses;
- e) Produce final figures/tables for publication and fact sheets.

Produce the English and Spanish versions of publications on modernization of subnational PFM in LAC.

- a) Professionally edit publications on modernization of subnational PFM in LAC manuscript;
- b) Review the translation that shall be made into Spanish by the IDB;
- c) Design cover page and internal layout of the publication, including logos and proper disclaimers;
- d) Provide the IDB with fifty (50) complimentary copies of the publication.

IV. Reports / Deliverables

- **Product 1:** Subnational PFM assessment framework and their annexes translated into Spanish;

- **Product 2:** An electronic repository containing names and contact counterparts and technical focal points of each of the six surveys for the participating countries;
- **Product 3:** Letters of invitation to participating countries;
- **Product 4:** Excel Databases, tables and figures for 8 PFM areas and Country Fact Sheets for selected SNGs in 3 countries;
- **Product 5:** Two virtual technical workshops for survey results and pilot projects;
- **Product 6:** PDF and print copies of publications on modernization of subnational PFM in LAC.

V. Qualifications

- Academic Degree: Master degree in Public Administration or/and Economics or Public Finance.
- Languages: English & Spanish.
- Professional experience: The consultant should have a minimum of 3-year experience in related research and production of policy papers in multilateral work.

VI. Characteristics of the Consultancy

- Consultancy category and modality: International Individual Consultancy.
- Contract duration: 30 months.
- Place(s) of work: The consultancy will be done by an individual consultant and the activities described above should be done in the Head Quarters in Washington, DC, with availability to travel to the countries involved in the initiative.
- Division Leader or Coordinator: The consultancy will be managed by the Fiscal and Municipal Management Division (IFD/FMM), under the coordination of Hyungon Kim, IFD/FMM Lead Specialist.

Payment and Conditions: Compensation will be determined in accordance with Bank's policies and procedures. In addition, candidates must be citizens of an IDB member country.

Consanguinity: Pursuant to applicable Bank policy, candidates with relatives (including the fourth degree of consanguinity and the second degree of affinity, including spouse) working for the Bank as staff members or Complementary Workforce contractuals, will not be eligible to provide services for the Bank.

Diversity: The Bank is committed to diversity and inclusion and to providing equal opportunities to all candidates. We embrace diversity on the basis of gender, age, education, national origin, ethnic origin, race, disability, sexual orientation, religion, and HIV/AIDs status. We encourage women, Afro-descendants and persons of indigenous origins to apply.

Regional

IFD/FMM

Surveys on PFM systems at the subnational level in Latin America and the Caribbean

TERMS OF REFERENCE

I. Background

- 1.1 Public Financial Management (PFM)³ and Fiscal Decentralization (FD) are two major pillars of public finance reforms, with potential to yield benefits to the overall public sector performance. These two reforms are expected to benefit each other. PFM reforms are vital for attaining the expected benefits of FD because of their critical role in maintaining fiscal discipline, efficient provision of public services, and accountability of subnational governments⁴ (SNGs) to higher levels of government and local constituents.
- 1.2 At the same time, the quality and performance of subnational PFM are heavily dependent on the level and nature of FD; in other words, the spectrum of SNG varies considerably in their size, composition, and degree of autonomy among and within countries in LAC.
- 1.3 However, the relationship between PFM reforms and FD, apparent in principle, is not well established in practice. In the last two decades, although LAC countries have seen a general trend toward an increased level of FD with significant variations across countries, PFM performance at the subnational government level in some LAC countries appears to be relatively weak. This may be due to the fact that PFM at the subnational tiers of government to date have received much less attention compared with the development of PFM at central governments, which have become one of the key reform areas in LAC.
- 1.4 In this respect, this TC seeks to identify challenges of PFM at the subnational level in selected Latin America and the Caribbean (LAC) countries and recommend areas for improvement, with the end goal of making the handling of subnational public spending more transparent, effective, and efficient. This project will establish the analytical framework to assess the state of subnational PFM coupled with diagnostic survey questionnaires. In particular, this assessment will provide underlying PFM indicators in the following areas: (i) PFM governance; (ii) Budgeting; (iii) Revenue Mobilization; (iv) Public Investment; (v) Treasury Management; (vi) Accounting and Financial Reporting; (vii) Procurement; and (viii) Integrated Financial Management Information System. Drawing on the findings from the survey, a few pilot projects will be conducted with the aim of providing policy recommendation for PFM

³ PFM deals with the set of systems that cover all aspects of managing public resources, including resource mobilization and debt management. The key objectives of PFM is maintaining a sustainable fiscal position, the effective allocation of resources, and the efficient delivery of public goods and services (Cangiano, Currissine and Lazare, 2013).

⁴ The term 'sub-national government' includes all levels of government below the national level.

modernization at the subnational level based on different degrees and characteristics of FD.

II. Objectives of the Consultancy

- 2.1 Apply an analytical framework coupled with surveys to each SNG of participating countries
- 2.2 Collect, sort, tabulate, and chart data from the aforementioned surveys.

III. Main activities

- 3.1 The selected candidate will:
 - a) Apply an analytical framework coupled with surveys to selected SNGs of participating countries.
 - ✓ Conduct surveys in collaboration with survey respondents (government officials of selected countries) and IDB country/field staff.
 - a) Collect, sort, tabulate, and chart data from the aforementioned surveys.
 - ✓ Collect preliminary data responses from government officials;
 - ✓ Produce final figures/tables for publication and fact sheets.

IV. Reports / Deliverables

- 4.1 **Product 1:** An electronic repository containing names and contact counterparts and technical focal points of each of the six surveys for the participating countries;
- 4.2 **Product 2:** Excel Databases, tables and figures for 8 PFM areas and Country Fact Sheets for selected SNGs in 3 countries;

V. Qualifications

- Academic Degree: Master degree in Public Administration or/and Economics or Public Finance.
- Languages: English & Spanish
- Professional experience: The consultant should have a minimum of 2-year experience in related research and production of policy papers in multilateral work.

VI. Characteristics of the Consultancy

- Consultancy category and modality: International Individual Consultancy
- Contract duration: The consultancy will take place for a period of 3 months.
- Place(s) of work: The consultancy will be done by an individual consultant and the activities described will be done at residence of the consultant with ability to travel.
- Division Leader or Coordinator: The consultancy will be managed by the Fiscal and Municipal Management Division (IFD/FMM), under the coordination of Hyungon Kim, IFD/FMM Lead Specialist.

Payment and Conditions: Compensation will be determined in accordance with Bank's policies and procedures. In addition, candidates must be citizens of an IDB member country.

Consanguinity: Pursuant to applicable Bank policy, candidates with relatives (including the fourth degree of consanguinity and the second degree of affinity, including spouse) working for the Bank as staff members or Complementary Workforce contractuels, will not be eligible to provide services for the Bank.

Diversity: The Bank is committed to diversity and inclusion and to providing equal opportunities to all candidates. We embrace diversity on the basis of gender, age, education, national origin, ethnic origin, race, disability, sexual orientation, religion, and HIV/AIDs status. We encourage women, Afro-descendants and persons of indigenous origins to apply.

Regional

IFD/FMM

Pilot projects for the modernization of subnational PFM in Latin America and the Caribbean

TERMS OF REFERENCE

I. Background

- 1.1 Public Financial Management (PFM)⁵ and Fiscal Decentralization (FD) are two major pillars of public finance reforms, with potential to yield benefits to the overall public sector performance. These two reforms are expected to benefit each other. PFM reforms are vital for attaining the expected benefits of FD because of their critical role in maintaining fiscal discipline, efficient provision of public services, and accountability of subnational governments⁶ (SNGs) to higher levels of government and local constituents.
- 1.2 At the same time, the quality and performance of subnational PFM are heavily dependent on the level and nature of FD; in other words, the spectrum of SNG varies considerably in their size, composition, and degree of autonomy among and within countries in LAC.
- 1.3 However, the relationship between PFM reforms and FD, apparent in principle, is not well established in practice. In the last two decades, although LAC countries have seen a general trend toward an increased level of FD with significant variations across countries, PFM performance at the subnational government level in some LAC countries appears to be relatively weak. This may be due to the fact that PFM at the subnational tiers of government to date have received much less attention compared with the development of PFM at central governments, which have become one of the key reform areas in LAC.
- 1.4 In this respect, this TC seeks to identify challenges of PFM at the subnational level in selected Latin America and the Caribbean (LAC) countries and recommend areas for improvement, with the end goal of making the handling of subnational public spending more transparent, effective, and efficient. This project will establish the analytical framework to assess the state of subnational PFM coupled with diagnostic survey questionnaires. In particular, this assessment will provide underlying PFM indicators in the following areas: (i) PFM governance; (ii) Budgeting; (iii) Revenue Mobilization; (iv) Public Investment; (v) Treasury Management ; (vi) Accounting and Financial Reporting; (vii) Procurement; and (viii) Integrated Financial Management Information System. Drawing on the findings from the survey, a few pilot projects will be conducted with the aim of providing policy recommendation for PFM

⁵ PFM deals with the set of systems that cover all aspects of managing public resources, including resource mobilization and debt management. The key objectives of PFM is maintaining a sustainable fiscal position, the effective allocation of resources, and the efficient delivery of public goods and services (Cangiano, Currissine and Lazare, 2013).

⁶ The term 'sub-national government' includes all levels of government below the national level.

modernization at the subnational level based on different degrees and characteristics of FD.

II. Objectives of the Consultancy

- 2.1 Conduct interviews for public servants and Collect, sort, tabulate, and chart data of analytical framework for pilot projects in selected SNGs of participating countries.
- 2.2 Make in-depth analysis of specific areas in selected SNGs and Draw up the implementation plan to modernize each SNG's PFM.

III. Main activities

- 3.1 The selected candidate will:

Conduct interviews for public servants and Collect, sort, tabulate, and chart data of analytical framework for pilot projects in selected SNGs of participating countries.

- a) Conduct interviews for better understanding of PFM practices in each SNG and collect more data in collaboration with government officials of selected countries and IDB country/field staff.

Make in-depth analysis of specific areas in selected SNGs and Draw up the implementation plan to modernize each SNG's PFM.

- b) Produce final databases, tables and figures for specific PFM areas and fact sheets;
- c) Make in-depth analysis of specific areas in selected SNGs and Draw up the implementation plan to modernize each SNG's PFM.

IV. Reports / Deliverables

- 4.1 **Product 1:** Interview data for public servants in the participating countries;
- 4.2 **Product 2:** Excel Databases, tables and figures for specific PFM areas of selected SNGs in 3 countries;
- 4.3 **Product 3:** Paper of implementation plan to modernize each SNG's PFM

V. Qualifications

- Academic Degree: Master degree in Public Administration or/and Economics or Public Finance.
- Languages: English & Spanish
- Professional experience: The consultant should have a minimum of 5-year experience in related research and production of policy papers in multilateral work.

VI. Characteristics of the Consultancy

- Consultancy category and modality: International Individual Consultancy
- Contract duration: The consultancy will take place for a period of 6 months.
- Place(s) of work: External consultancy
- Division Leader or Coordinator: The consultancy will be managed by the Fiscal and Municipal Management Division (IFD/FMM), under the coordination of Hyungon Kim, IFD/FMM Lead Specialist.

Payment and Conditions: Compensation will be determined in accordance with Bank's policies and procedures. In addition, candidates must be citizens of an IDB member country.

Consanguinity: Pursuant to applicable Bank policy, candidates with relatives (including the fourth degree of consanguinity and the second degree of affinity, including spouse) working for the Bank as staff members or Complementary Workforce contractuels, will not be eligible to provide services for the Bank.

Diversity: The Bank is committed to diversity and inclusion and to providing equal opportunities to all candidates. We embrace diversity on the basis of gender, age, education, national origin, ethnic origin, race, disability, sexual orientation, religion, and HIV/AIDs status. We encourage women, Afro-descendants and persons of indigenous origins to apply.

Regional

IFD/FMM

Edit and translate the publication

TERMS OF REFERENCE

I. Background

- 1.1 The Inter-American Development Bank (IDB) strives to identify challenges of PFM at the subnational level in selected Latin America and the Caribbean (LAC) countries and recommend areas for improvement, with the end goal of making the handling of subnational public spending more transparent, effective, and efficient. This project will establish the analytical framework to assess the state of subnational PFM coupled with diagnostic survey questionnaires. In particular, this assessment will provide underlying PFM indicators in the following areas: (i) PFM governance; (ii) Budgeting; (iii) Revenue Mobilization; (iv) Public Investment; (v) Treasury Management; (vi) Accounting and Financial Reporting; (vii) procurement; and (viii) Integrated Financial Management Information System. Drawing on the findings from the survey, a couple of pilot projects will be conducted with the aim of creating a platform for PFM modernization at the subnational level based on different degrees and characteristics of FD.
- 1.2 Since the data and analysis put forth is on Latin American Spanish-speaking countries and would be of interest to policy makers, the public, academic and other development agencies in the region, the IDB would like to edit and translate the book or paper into Spanish and publish it in its knowledge repository (BRIK) in order to make the studies publicly available. The BRIK is the main archival place containing the knowledge resources of the Bank.

II. Objective of the Consultancy

- 2.1 The objective of the consultancy is to edit and translate the publication, including any and all supporting documents such as Surveys (5), Preface, Executive Summary, Reader's Guide, Introduction, Annexes and Glossary.

III. Main activities

- 3.1 The selected candidate will:
 - a) **Edit.** Provide professional editing in Spanish of the Surveys (5), Preface, Executive Summary, Reader's Guide, Introduction, Annexes, Glossary, Policy Chapter and two-pagers.
 - b) **Translate.** Provide professional translating in Spanish of the Surveys (5), Preface, Executive Summary, Reader's Guide, Introduction, Annexes, Glossary, Policy Chapter and two-pagers.

- c) **Quality control and proof reading.** Proof read and provide quality control for the Surveys (5), Preface, Executive Summary, Reader's Guide, Introduction, Annexes, Glossary, Policy Chapter and two-pagers.

IV. Reports / Deliverables

- 4.1 **Product 1:** Edited and translated Survey on PFM governance at SNGs in LAC
- 4.2 **Product 2:** Edited and translated Survey on Budgeting at SNGs in LAC
- 4.3 **Product 3:** Edited and translated Survey on Revenue Mobilization at SNGs in LAC
- 4.4 **Product 4:** Edited and translated Survey on Public Investment at SNGs in LAC
- 4.5 **Product 5:** Edited and translated Survey on Treasury Management at SNGs in LAC
- 4.6 **Product 6:** Edited and translated Survey on Accounting and Financial Reporting at SNGs in LAC
- 4.7 **Product 7:** Edited and translated Survey on Procurement at SNGs in LAC
- 4.8 **Product 8:** Edited and translated Survey on Integrated Financial Management Information System at SNGs in LAC
- 4.9 **Product 9:** An edited and translated three PFM modernization plans at SNGs in LAC.

V. Payment Schedule

- 5.1 Lump sum fee for professional services including direct and indirect costs.

Payment schedule:

- 25% upon completion of the Surveys
- 25% upon completion of the Preface, Executive Summary, Reader's Guide, Introduction, Annexes and Glossary
- 50% upon completion of the Policy Chapter and two-pagers.

VI. Qualifications

- Academic Degree / Level & Years of Professional Work Experience: Five or more years as a Spanish-English editor and translator.
- Languages: English and Spanish
- Areas of Expertise: Basic knowledge of public financial management and public governance in Latin America and the Caribbean.
- Skills: Editing and translating.

VII. Characteristics of the Consultancy

- Consultancy category and modality: Products and External Services Contractual, Lump Sum.
- Contract duration: 3 months.
- Place(s) of work: External consultancy.
- Division Leader or Coordinator: Hyungon Kim, Lead Specialist in the Fiscal and Municipal Management Division (IFD/FMM).

Payment and Conditions: Compensation will be determined in accordance with Bank's policies and procedures. In addition, candidates must be citizens of an IDB member country.

Consanguinity: Pursuant to applicable Bank policy, candidates with relatives (including the fourth degree of consanguinity and the second degree of affinity, including spouse) working for the Bank as staff members or Complementary Workforce contractuels, will not be eligible to provide services for the Bank.

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Inter-American Development Bank
VPC/FMP

PROCUREMENT PLAN FOR NON-REIMBURSABLE TECHNICAL COOPERATIONS											
Country: Regional					Executing agency: IDB					Public or private sector: N/A	
Project number: RG-T2635					Title of Project: Modernization of Public Financial Management Systems at the Subnational Level						
Period covered by the plan: 2015 – 2018											
Threshold for ex-post review of procurements:				Goods and services (in US\$):		108,000	Consulting services(in US\$)		473,000	Contingency (in US\$):	19,000
Item Nº	Ref. AWP	Description (1)	Estimated contract cost (US\$)	Procurement Method (2)	Review of procurement (3)	Source of financing and percentage		Estimated date of the procurement notice or start of the contract	Technical review by the PTL (4)	Comments	
						IDB/MIF %	Local/ other %				
1		Component 1 - Diagnosis of Current PFM at Subnational Level	240,000								
		Individual consultants									
		Design of a PFM assessment framework, management of survey and analysis of the results	71,000	IICQ	ex post	100	0	Dec-15	ex ante		
		Survey application and data collection	114,000	IICQ	ex post	100	0	Apr-16	ex ante	6 local consultants: 2 in each country	
		Non consulting services									
		Logistic for workshops and travel(local consultants)	55,000	PC	ex post	100	0	Sep-16	ex ante		
2		Component 2 - Pilot Projects for Subnational PFM Modernization	273,000								
		Individual consultants									
		Design of three pilot case studies in three selected SNGs and PFM modernization Plan	45,000	IICQ	ex post	100	0	Oct-16	ex ante		
		Data collection and elaboration of three case study results	228,000	IICQ	ex post	100	0	Nov-16	ex ante	3 local consultants: 1 in each country	
3		Component 3 - Knowledge Dissemination	68,000								
		Individual consultants									
		Elaboration of a paper integrating the survey results, case studies, and PFM modernization plans	15,000	IICQ	ex post	100	0	May-17	ex ante		
		Non consulting services									
		Translation and other services	15,000	PC	ex post	100	0	Jul-17	ex ante		
		Logistic for events	38,000	PC	ex post	100	0	Sep-17	ex ante		
Total			581,000	Prepared by:			Date:				
(1) Grouping together of similar procurement is recommended, such as computer hardware, publications, travel, etc. If there are a number of similar individual contracts to be executed at different times, they can be grouped together under a single heading, with an explanation in the comments column indicating the average individual amount and the period during which the contract would be executed. For example: an export promotion project that includes travel to participate in fairs would have an item called "airfare for fairs", an estimated total value of US\$5,000, and an explanation in the Comments column: "This is for approximately four different airfares to participate in fairs in the region in years X and X1".											
(2) <u>Goods and works</u> : CB: Competitive bidding; PC: Price comparison; DC: Direct contracting.											
(2) <u>Consulting firms</u> : CQS: Selection Based on the Consultants' Qualifications; QCBS: Quality and cost-based selection; LCS: Least Cost Selection; FBS: Selection under a Fixed Budget; SSS: Single Source Selection; QBS: Quality Based selection.											
(2) <u>Individual consultants</u> : IICQ: International Individual Consultant Selection Based on Qualifications; SSS: Single Source Selection.											
(2) <u>Country system</u> : include selection Method											
(3) <u>Ex-ante/ex-post review</u> : In general, depending on the institutional capacity and level of risk associated with the procurement, ex-post review is the standard modality. Ex-ante review can be specified for critical or complex process.											
(4) <u>Technical review</u> : The PTL will use this column to define those procurement he/she considers "critical" or "complex" that require ex ante review of the terms of reference, technical specifications, reports, outputs, or other items.											