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| **Template and instructions for the preparation of a PEFA assessment concept note or terms of reference for subnational governments** |
| *This generic template for preparing a concept note (CN) or terms of reference (ToR) for a public expenditure and financial accountability (PEFA) assessment should be used as a guide only. The content of the concept note or terms of reference should be adapted as necessary to the needs of subnational government (SNG), national government or assessment sponsors. This template is adapted to both assessment of a set of subnational governments and assessments of a sole subnational government. Guidance on content is provided in red. Do not include the red text in the final terms of reference.*  *For guidance on the key phases and steps in the PEFA assessment process including planning and preparation; fieldwork, including collecting and analyzing data; requirements for preparing and approving the PEFA report; and establishing a dialogue with stakeholders on preparing PFM reform initiatives in response to the assessment findings, you can refer to Volume I of the Handbook (PEFA assessment process) available on the PEFA website (*[*https://pefa.org/sites/default/files/16\_10\_18PEFA%20Handbook%20Volume%20I%20-%20Assessment%20Process\_edited%20%28final%29.pdf*](https://pefa.org/sites/default/files/16_10_18PEFA%20Handbook%20Volume%20I%20-%20Assessment%20Process_edited%20%28final%29.pdf)*)* |
| **PEFA assessment concept note** |
| 1. **Background and context**   *Under the subheadings below, describe the economic, fiscal, and political context for the PEFA assessment as well as intergovernmental fiscal relations in the country. Include information about population size, average income per capita, and other key characteristics of the subnational governement(s) and the country to which it (they) belong. In case of a set of assessments, explain the rationale for sampling the subnational governments and the criteria on the basis of which the subnational government (s) has/have been selected.* |
| **1.1 Presentation of the assessed SNG(s) and explanation of the selection criteria** |
| *Briefly explain and describe the sample of subnational governments that will be assessed. Provide a table with the name of the subnational governments, their respective population and the tier of government they belong to. In the table or in the narrative, provide all information and criteria which were used to select the subnational governments (e.g., economy, geographical situation, rural or urban, administrative status, political representation).*  *If the assessment relates to a single SNG, this section should provide all information mentioned above relevant to briefly present the background and context of the select SNG.* |
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| **1.2 Economic performance** |
| *Briefly describe recent economic performance at national level. Highlight the most important economic sectors and any recent events that have impacted on their performance (e.g., natural disasters, external economic shocks). Briefly describe the most important economic characteristics and sectors for the assessed subnational government(s).* |

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| **1.3 Fiscal management at the subnational level** | | |
| *Briefly describe the importance of the subnational governement’s public sector in country’s public revenue and expenditure and identify recent fiscal initiatives in terms of allocating revenue or expenditure to the subnational sector.*  *Complete table 1 in the last two completed fiscal years (FY T refers to the last full fiscal year and FY T-1 refers to the year before FY T).*  *Briefly describe recent fiscal performance—including fiscal deficit and debt— for each of the subnational governments included in the sample. Briefly describe if the subnational government(s) is/are authorized or not to borrow or issue guarantees.*  *Complete table 2 for each of the assessed SNG’s fiscal data in the last completed fiscal years.* | | |
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| **Table 1. <Country> subnational governments revenue and expenditure <T-1> to <T>** | | |
| **Element** | **FY T-1** | **FY T** |
| Total national revenue |  |  |
| Total national expenditure |  |  |
| *– Transfers to tier 1 of SNGs* |  |  |
| *– Transfers to tier 2 of SNGs* |  |  |
| *– …* |  |  |
| Total own revenue of SNGs |  |  |
| *– Revenue of tier 1 of SNGs* |  |  |
| *– Revenue of tier 2 of SNGs* |  |  |
| *– …* |  |  |
| Total expenditure of SNGS |  |  |
| *– Expenditure of tier 1 of SNGs* |  |  |
| *– Expenditure of tier 2 of SNGs* |  |  |
| *– …* |  |  |
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**Table 2. <Subnational governments> aggregate fiscal data, <T-1> to <T>**

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| **Element** | **SNG 1** | **SNG 2** | **SNG 3** | **…** | **SNG X** |
| Total revenue |  |  |  |  |  |
| *– Own revenue* |  |  |  |  |  |
| *– Transfers from CG* |  |  |  |  |  |
| *– Other* |  |  |  |  |  |
| Total expenditure |  |  |  |  |  |
| Aggregate deficit (incl. grants) |  |  |  |  |  |
| Primary deficit |  |  |  |  |  |
| Net financing |  |  |  |  |  |
| *– External* |  |  |  |  |  |
| *– Domestic* |  |  |  |  |  |
| Public debt |  |  |  |  |  |

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| **1.4 Governance, institutions, and decentralization system** |
| *Briefly describe the main characteristics of the decentralization system and intergovernmental fiscal relations in the country: the overall political structure (e.g., confederation, federation, unitary state.); number and names of subnational government tiers.*  *Briefly list the main functional responsibilities (e.g., primary education, health, water sanitation, street lighting) which are devolved and delegated to the subnational governments or shared with a higher level of government.*  *List the functions (e.g., revenue collection, payment, procurement, investment) that are performed by the SNG, those that are performed by CG and those for which responsibility is shared. Provide information on fiscal autonomy, right to borrow, restriction of deficit, and autonomy to hire staff.* |

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| 1. **History of public financial management (PFM) reform** |
| *Under the subheadings below, outline the recent history of PFM reform relative to subnational governments, including all previous PEFA assessments, including those of the central government, other PFM diagnostics, PFM reform initiatives and what they have achieved to date, international development cooperation activities, and PFM reform monitoring and evaluation arrangements.* |
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| **2.1 Previous PEFA assessment(s) and other PFM diagnostics** |
| *Briefly describe the timing and scope of any previous PEFA assessment(s) at national and subnational level and other PFM diagnostics relative to fiscal decentralization and PFM, and summarize their main findings. For example, which years did the assessments cover and what were the main strengths and weaknesses they identified?* |

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| **2.2 PFM and decentralization reform initiatives** |
| *Briefly describe the history of fiscal decentralization and local PFM reforms and their current status (e.g., PFM action plans). Identify the nature of any international development cooperation and support initiatives, such as those involving budget support, technical assistance, capacity development, and other support to local governments.* |
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| 1. **Purpose, scope, and coverage of the assessment**   *Under the subheadings below, explain the reasons for the assessment and how it relates to the PFM and public sector reform agenda of the subnational government(s) or at a national level regarding fiscal decentralization.* |
| **3.1 Purpose** |
| *Briefly state the purpose of the assessment, within the context described above.*  *Describe how results will be used:*   * *At the subnational level for the development and implementation of PFM reform initiatives, and/or* * *At the national level, to inform dialogue on fiscal decentralization and national PFM related to SNGs.* |
| **3.2 Scope and coverage** |
| *Specify which part of the public sector will be covered by the assessment. Typically, this will be the budgetary and extrabudgetary units of the subnational government, except where PEFA indicators specifically refer to a smaller or wider range, such as the budgetary units of the government at all levels.*  *Complete table 3 with details on the units within the scope of the assessment. If information is available, include up to 10 main budgetary units such as ministries, directorates, or agencies. In addition, the main extrabudgetary units or groups and public corporations should be included where they constitute a significant share of the subnational government expenditure covered by the assessment.* |

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| **3.3 Time period for assessing performance** | | |
| *The CN should explain the time periods for the assessment and state the proposed ‘cut-off date’ for data measurement. In case of a set of assessments, time periods and cut-off dates might vary amongst SNGs according to the starting date of the respective assessments.*  *The ‘cut-off date’ is the last date for which data included in the assessment was considered. This is crucial for identifying the “last completed fiscal year” referred to in many dimensions and the critical date for consideration of circumstances applying “at the time of the assessment”, which is*  *relevant to other dimensions.* | | |
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| **Table 3. Main units of government to be covered by the assessment** | | |
| **Budgetary units** (such as ministries, directorates, or agencies) | **Extrabudgetary units** | **Public corporations\*** |
| Example: | Example: | Example: |
| Office of the Mayor | University | Water corporation |
| Directorate of Finance | High schools | Transportation company |
| Directorate of Infrastructures | Tourist board |  |
| Directorate of Education | Marketplace authority |  |
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| *\* Only include institutional units within the scope of the assessment. For assessments of subnational governments, such units would be only those owned and controlled at the subnational level.* | | |
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| 1. **Managing the PEFA assessment** | |
| *Under the subheadings below, describe the stakeholders and the extent of their involvement in overseeing the assessment. Include information on team composition, with as much detail as available on names, positions, and respective organizations’ areas of expertise. Also include information on the estimated budget.* | |
| **4.1 Management and oversight** | |
| *Identify the entity or the group of entities which funds the assessment (e.g., development partner, central government, subnational government), and if different specify the entity which leads the assessment. In case of a set of SNGs, explain if the entity funding and leading the assessment varies according to the SNG that is assessed. Describe the management arrangement which ensure consistency between assessments.*    *List the stakeholders involved in the oversight of the assessment and identify their roles. Stakeholders will include:*   * *The agencies involved or leading the assessment, and their team members* * *Representative(s) of the SNG(s)* * *Representative(s) of central government (ministry of finance, ministry of local affairs) as it may be the case* * *Other development partners and their representatives or agents*   *In case of a set of SNGs, specify whether there is one sole oversight team for all the assessments or if its composition is adapted to each assessed SNG.*  *Complete table 4 for the management and oversight team.*  *Identify other stakeholders involved in management and oversight, such as the supreme audit institution or local external audit entities, legislature, anticorruption agency, independent procurement agency, chamber of commerce, and civil society organizations.* | |
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| **Table 4. Management and oversight team** | |
| **Organization name** | **Team member details** |
| Chair (organization name) | Name and position of chair |
| National government representative 1 | Name and position of representative |
| National government representative 2, etc | Name and position of representative |
| Pefatown government representative | Name and position of representative |
| Pefaville government representative | Name and position of representative |
| Pefaciudad government representative | Name and position of representative |
| Development partner 1 | Name and position of representative |
| Development partner 2, etc. | Name and position of representative |
| Other | Name and position |
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|  | **4.2 Assessment team: composition and inputs** | | | | | | | | | | |
| *Describe the staff and consultants proposed for the assessment team or, in the case of a set of assessments, for each of the assessment teams (i.e., the teams that will be performing the assessment). Describe the relevant areas of expertise required, including technical skills, languages, and local knowledge. Explain how the assessment team(s) will be managed and its (their) relationship to the assessment management and oversight team.*  *In the case of a set of assessments, explain the arrangement that ensure consistency among assessments.*  *Complete table 5, which summarizes inputs from the assessment team for all the assessments and table 6, which summarizes the distribution of resources among assessments.* | | | | | | | | | | | | | | |
|  | | | | **Table 5. Assessment team’s input to the PEFA assessments** | | | | | | | | | | |
| **Team member** | | **Organization** | | | **Area of expertise** | | **Assignment** | | **Preparatory work (no. of days)** | | **Field work**  **(no. of days)** | | **Post­–field work (no. of days)** | |
| Team leader:  Name (where known) | | Example:  Consultants Ltd. | | | Example:  Fiscal strategy and budgeting | | Overall assessment leader, Lead of Pefatown and Pefaville assessments | | Example:  10 | | Example:  25 | | Example:  30 | |
| Expert 1:  Name (where known) | | Consultants Ltd | | | Fiscal strategy and budgeting , Public sector audit and financial control | | Cross-cutting tasks, Lead of Pefaciudad assessment | | 10 | | 12 | | 20 | |
| Expert 2:  Name (where known) | | Pefalia Ministry of Local Affairs | | | Revenue management | | Cross-cutting tasks, Pefaville, Pefatown, Pefaciudad assessments | | 10 | | 21 | | 5 | |
| Expert 3:  Name (where known) | | Consultants Ltd. | | | Public sector audit and financial control | | Pefaville and Pefatown assessments | | 5 | | 36 | | 10 | |
| Expert 4:  Name (where known) | | Pefaville[[1]](#footnote-2) directorate of finance | | | Expenditure management and reporting | | Pefaville assessment | | 5 | | 12 | | 5 | |
| Expert 5:  Name (where known) | | Pefatown directorate of finance | | | Expenditure management and reporting | | Pefatown assessment | | 5 | | 12 | | 5 | |
| Expert 6:  Name (where known) | | Pefaciudad directorate of finance | | | Expenditure management and public sector audit | | Pefaciudad assessment | | 5 | | 12 | | 5 | |
|  | | | | **Table 6. Distribution of resources (consultant days)** | | | | | | | | | | |
| **Team member** | | | **Preparatory work (no. of days)** | | | **Field work**  **(no. of days)** | | **Post­–field work (no. of days)** | | **Total** | | | |
| Cross-cutting tasks | | | 35 | | | 15 | | 50 | | 100 | | | |
| Pefatown | | | 5 | | | 45 | | 10 | | 60 | | | |
| Pefaville | | | 5 | | | 35 | | 10 | | 50 | | | |
| Pefaciudad | | | 5 | | | 35 | | 10 | | 50 | | | |
| Total | | | 50 | | | 130 | | 80 | | 260 | | | |

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| **4.3 Resources** | |
| *Specify the budget and funding arrangements. Information will include the number of assessors, person-days, and costs of travel and related expenses, translation and interpretation, and printing and copying, etc. Expenses may be separated by sources of funds or participating entity.*  *Complete table 7 with detailed information on the estimated resources by category. If information is available, provide a breakdown of the budget among the SNGs that are assessed and the cross-cutting tasks.*  *If the terms of reference are being prepared as the basis of a request for proposal (RFP) for contract assessors, this table may be circulated to appropriate stakeholders as a separate document.* | |
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| **Table 7. Resources required for PEFA assessment** | |
| **Budget item** | **Resources required** |
| **Assessment team** |  |
| Consultant fees (#consultants x #days) | $ |
| Staff costs (#staff x #days) | $ |
| Travel costs (#days, #trips) | $ |
| Accommodation (#days) | $ |
| Per diem (#days) | $ |
| Training facilities hire (#days) | $ |
| Catering (people x unit price) | $ |
| Other incidental costs (translation, photocopying etc.) | $ |
| **Total** | $ |
| Cross-cutting expenditure | $ |
| Pefatown assessment expenditure | $ |
| Pefaville assessment expenditure | $ |
| Pefaciudad assessment expenditure | $ |
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| 1. **Approach and methodology** |
| *Under the subheadings below, summarize how the assessment will be performed, including the methodology to be applied, main references and sources of information, deliverables and time frame, report structure, quality assurance arrangements, and consultation, reporting and next steps.* |
| **5.1 Methodology and information requirements** |
| ***Methodology***  *State that the assessment will apply the PEFA 2016 methodology. Briefly describe whether all indicators and dimensions of PEFA 2016, including HLG-1, the additional indicator for tranfers from central government, are to be used, and if not, explain why.*  *This section should also indicate when drill-down or add-on indicators (complementing the information on purpose, scope and coverage in section 3).*  *Describe any arrangements to coordinate the assessment with any other related PFM work or development partner operations.*  *This subsection should refer to the Supplementary guidance for assessing subnational governments and other PEFA 2016 guidance documents relevant to the assessment, which are available from the PEFA website:* [www.pefa.org](http://www.pefa.org)*. The methodology for any additional indicators or analysis to be undertaken as part of the assessment should also be referenced.* |

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| ***Data collection***  *Identify any key references for the assessment (such as previous PEFA reports) or other studies by development partners (such as analytical reports, donor assessments, government evaluations, and research studies). The main sources of information within the country and the subnational governments should be identified, such as the national ministry of finance, ministry of local affairs, national and local revenue administrations, supreme audit institution and local audit institutions, local directorate of budget, selected national line ministries, chambers of commerce, and taxpayers’ associations.*  *Describe the approach to data collection, such as the preparation of the team and counterparts, anticipated data requests, awareness-raising and training workshops, and the nature and extent of in-country data collection (e.g., expected meetings required, accessibility of nonpublic data, and coordination with national and local government officials). Any known challenges or information gaps should be highlighted, and the approach to resolving these challenges should be outlined.* |
| ***Main deliverables***  *Complete table 8 setting out the details of all major activities, deliverables, and key dates should be included. It should identify the key stages, what needs to be completed or delivered, and the expected date for commencement and completion. In case of an assessment of a set of SNGs, expected date for commencement and completion should be provided for both the assessment as a whole and for each of the SNG assessments.*  *The deliverables should include as a minimum (i) a a draft CN/ToR and final CN/ToR which takes into consideration comments on the draft CN/ToR and (ii) a draft report and a final report which take into consideration the comments on the draft report. The final report should be supported by a separate matrix with peer reviewers’ comments and assessment team responses, as per the recommendations set out in the PEFA Check arrangements (see sub-section 5.3. below).*  *Other deliverables as determined by the government and other stakeholders, such as an inception report, training and workshop materials, presentations, templates and data sets, consolidated report should be included together with a timetable.* |
| ***Successive assessments***  *If this a successive assessment, explain the arrangements for tracking progress from previous assessment(s).* |
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| **Table 8. PEFA assessment implementation schedule** | | |
| **Task** | **Deliverable** | **Date(s)** |
| **Preparatory work** | | |
| * Establishment of the stakeholder oversight team | Team confirmation | Insert date(s) |
| * Finalization of the concept note/terms of reference | Concept note | Insert date(s) |
| * Coordination with governments and stakeholders (including meeting and workshop schedule) | Agreed work schedule | Insert date(s) |
| * Initial data request | Data request issued to responsible units | Insert date(s) |
| * Workshop preparation | Workshop materials in required language(s) | Insert date(s) |
| **Field work** | | |
| * PEFA methodology workshop for Pefatown and Pefaville | Workshop delivery | Insert date(s) |
| * PEFA methodology workshop for Pefaciudad | Workshop delivery | Insert date(s) |
| * Data collection and interviews for Pefatown | All necessary data obtained | Insert date(s) |
| * Data collection and interviews for Pefaville | All necessary data obtained | Insert date(s) |
| * Data collection and interviews for Pefaciudad | All necessary data obtained | Insert date(s) |
| * Preparation of draft report by assessment team for Pefatown | Draft report | Insert date(s) |
| * Preparation of draft report by assessment team for Pefaville | Draft report | Insert date(s) |
| * Preparation of draft report by assessment team for Pefaciudad | Draft report | Insert date(s) |
| * Coordination meeting between assessment teams | Draft reports are consitent | Insert date(s) |
| * Presentation of draft report and initial findings to authorities | Presentation initial findings | Insert date(s) |
| **Post­–field work** | | |
| * Review of comments and further drafting of report | Comments recorded and considered, draft revised | Insert date(s) |
| * Presentation of final report to authorities | Final report | Insert date(s) |
| * Publication of final report | Publication | Insert date(s) |
| **Planned post­–PEFA assessment activity (not part of the scope of the concept note/terms of reference)** | | |
| * Preparation of consolidated report | Consolidated report | Insert date(s) |
| * PFM reform dialogue based on PEFA assessment findings | Briefing on the relevance of PEFA to national and subnational government policy priorities | Insert date(s) |
| * Development of a PFM action plan or reform program at the national and/or subnational levels | PFM action plan | Insert date(s) |
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| **5.2 Structure of the PEFA report** |
| *Describe the proposed structure and format of the PEFA report, including annexes. Indicate whether the report follows the approved format set out in the supplementary guidance for subnational PEFA assessment and highlight any additional content or other adjustments. Please refer to the note available on the PEFA website:*  <https://pefa.org/sites/default/files/SNG%20PEFA%20guide%20revised%2016-03-10%20edited_2.pdf>  *Specify who will be the principal recipient of the final report(s) noting that the subnational government will be the owner of the final product.*  *Note whether the report(s) will be published and, if not, an explanation of why not.*  *Arrangements for publication and dissemination of the report(s) should also be included here.* |
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| **5.3 Quality assurance** |
| *Describe the proposed approach to disseminating and reviewing the quality of the draft CN/ToRs and draft and final PEFA reports.*  *Summarize the process being followed to attain the PEFA check, including proposed reviewers and indicative timeline.*  *In case of an assessment of a set of subnational governments, the PEFA check is provided for each assessment.*  *Note: For the PEFA Check a minimum of four reviewers from different organizations is required. One of the reviewers must be the subnational government and one reviewer must be the PEFA Secretariat. Other reviewers may include other stakeholders including national government, development partners, and civil society organizations. Please refer to the note available on the PEFA website:* <https://pefa.org/sites/default/files/07_PEFA%20CHECK%20Guidance.pdf> |
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| **5.4 Consolidated report (in case of an assessment of a set of SNGs)** |
| *Explain if it is envisaged to prepare a consolidated report. Explain the proposed approach to consolidation of the findings of individual reports. Describe arrangements for peer review and publication of the report.*  *Note: The consolidated report is not mandatory. It is not part of the QA arrangement.* |

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| **5.5 PEFA assessment findings and PFM reform** |
| *Describe arrangements for discussion of the findings and policy implications of the draft and final reports within national and subnational governments.*  *Explain the proposed process for linking the findings with a PFM reform dialogue to address policy development, prioritization, and monitoring.*  *Identify the main stakeholders that are likely to be involved in the dialogue.* |

1. For purposes of example in tables 4, 5, 6, and 7, Pefatown, Pefaville, and Pefaciudad are three imaginary municipalities belonging to the imaginary country, Pefalia. [↑](#footnote-ref-2)