

**1 A Model ToR for the
sector PER Team**

ANNEX 4

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This annex provides a broad outline of a ToR that can be developed for each of the sector PER teams: Education, Health, Agriculture, and Social Protection.

Basic Steps

In preparing to carry out a sector PER, a required step is preparation of terms of reference (ToR) or scope of work for the PER Team that will be charged with the review. Another required step is to recruit a sector PER Team with suitable qualifications as specified in the ToR. The elements of this model ToR are illustrative of the ToR needed. The level of detail is related to the depth of the sector PER.

Consultations

The person preparing the ToR should consult widely with the Ministry of Finance and with the line ministries and stakeholder groups, including their internal auditors and budget analysts. Consultations should focus on all elements of the PER as well as on the time required for the exercise, the funding needed, and the availability of data.

1 Contents

The ToR should guide the PER Team about the minimum necessary analysis to be done as well as indicate how to prepare and deliver a good report. It should include the following sections.

1.1 Background

The background should summarily describe the context in which the PER is to be done; why it is to be done; the period it should cover; and the sub-sectors of education that it should review. It should identify the Ministry serving as the main client requesting it. In the case of education and social protection in all the partner countries, several different ministries receive and spend allocations, each of which must be identified in the TOR.

The background should also recognize the fundamental interests of the Ministry of Finance and the Ministry responsible for Planning in any savings from optimizing current use of sector allocations or redirecting the allocations to better uses.

1.2 General goal and specific objectives of sector PER

The goal of the sector should be stated in broad terms. The objectives should be more specific about the key outputs and outcomes to be delivered.

1.2.1 The general goal of the sector PER

The general goal of a sector PER must be to guide government about how to make expenditure more economical, efficient and effective in its current use or how to redirect the expenditure to alternative uses to make it more economical, efficient and effective.

1.2.2 The specific objectives of the sector PER

It is important that the TOR lists the specific objectives of the sector PER. These serve to demarcate its scope or boundary. Specification of the objectives should take account of the fact that education, health and agriculture are economic sectors in their own right. Education and health are also key ‘social infrastructure’ that serve as necessary foundations for every other sector in the economy, including social protection. Thus, equity in the distribution of education and health benefits matters to the success of sector expenditures. Agriculture also serves as a springboard for general development, especially poverty reduction on the one hand, and increase in output per dollar of imports and exports per dollar of imports on the other.

A minimal set of objectives proposed for a sector PER in the partner countries include:

- a. To analyse budgetary allocation, disbursement and execution, and in particular to determine how the allocations are linked to government policies and the extent to which the actual funds spent and the priorities on which they are spent match those of the approved budgets. The pursuit of this objective should reveal the quality and robustness of the public financial management systems and institutions in the sector, in particular the influence of the medium-term policies of government, the strength of the budget control processes, the quality of budget implementation and the systems for reporting and accountability.
- b. To provide a framework for a rational consideration of public financing in the sector, and in particular to provide an integrated analysis of recurrent and the development spending, with a view to measuring and evaluating the efficiency and effectiveness of public spending in the sector.
- c. To provide an independent assessment of the economy, adequacy, appropriateness, efficiency, and effectiveness of spending in the sector as a complement to internal budget analysis and internal auditing.
- d. To identify savings form sector allocations.

It should be explained that pursuit of economy, efficiency and effectiveness of expenditure arise because there are usually no appropriate market prices for government to use to otherwise consider the productivity of resources use.

1.3 Methodology

The ToR should specify the methodology to be used, and key institutions to be consulted when conducting the PER. It should also specify any specific government personnel who should serve as counterpart when the sector PER is being done. The purpose is to influence the quality of the review delivered. For example, if revenue forecasting is needed, this should be indicated and the main method specified in the light of data availability.

An important element of the methodology is the scope adopted for the PER. This is specified by indicating the classes of expenditure that should be reviewed, and at least the Heads of expenditure within those classes to which the ToR applies. Budgets are allocated under various Heads, Subheads, Items, and Sub-Items of expenditure. The United Nations Classification of the Functions of Government (COFOG) provides the main system on which the partner countries rely when grouping and defining expenditure for a sector PER (See Annex 5). COFOG classifies expenditure by purpose of the transactions undertaken, whether the expenditure is final consumption expenditure, intermediate consumption, gross capital formation, and capital and current transfers by general government.

All of the Scoping Studies indicate that the governments want to do PERs that are integrated into the normal internal budget analysis, auditing, and planning processes, including the design of medium term expenditure programs. Therefore the institutions listed should be those that government envisages will be a permanent part of the budget preparation, planning and implementation processes.

Listed too should be important repositories of government's data and information assembled during normal budget execution, or institutions with experience and information to share with the PEER Team about how the budget is implemented and how priorities are determined in practice.

If required, special assignments or tasks should be specified in the methodology of the ToR. Their purpose would normally be to improve understanding of how one or more of the objectives links to the general goal. The effect of the methods indicated for the special assignments should be to improve the understanding of the PEER Team of the minimum analysis to be done when preparing its report.

The method of the ToR should also indicate critical agencies, activities, issues or topics in the sector that government wants reviewed, with a view to determining how one or more of the above objectives can be achieved. For example, the special task might be to analyse the effectiveness of the 'school meals' program, to determine whether, in certain administrative districts of the country, the children of single female-headed households are able to obtain the books they need to succeed in school.

The ToR may also indicate if any issues should be excluded from consideration, and will be left to more in-depth studies.

1.4 Deliverables

The ToR should specify the outputs or deliverables and the schedule of deliverables. Preferably, the deliverables should be accompanied by statements indicating the applicable standards of the deliverables. Among these should be the structure and outline of the report as well as its length, desired format including spacing, fonts, and its annexes. The deliverables should also include an executive summary.

Since the PER is a new exercise in the partner countries, deliverables should include a policy brief for the government, press release, videos and other requirements for information sharing and communication with stakeholders.

1.5 Qualities of the PER team

The ToR should list the main skills that will be recruited to undertake the PER exercise. While the particular skills vary with the sector, the typical skills needed for a PER are the following:

- a. Public accounting and financial management
- b. National economic planning
- c. Sector-specific planning, policy analysis and management
- d. Organisational assessment
- e. Statistics and administrative data analysis
- f. Infrastructure development and market failure analysis

2 Resourcing the review team

The ToR should specify the resources that will be made available to the PEER Team. Since the PER should at least be set up as a pilot project in the first instance, the following resources should be specified:

- a. Consulting fees
- b. Honoraria for participating public servants
- c. Transport facilities
- d. Office facilities, including computer hardware and software
- e. Background documents, appointment letters, and introductory letters
- f. Budget analyses and audits for at least 3 years before the upcoming budget that would be informed by the exercise.

3 Sources of data

Preparation of a PER is an information-intensive process and the ToR should clearly indicate where data should be found and how it should be obtained. Data gathering is perhaps the most important activity of the sector PER and it continues throughout the exercise. The sources of data will be dictated by many factors, such as:

- a. The specific objectives and tasks of the PER.
- b. The special assignments required by the government.
- c. The type of analysis and methodology specified in the ToR.
- d. The general good practice of PER preparation and reporting.
- e. The deliverables and outputs of the ToR.

The ToR should identify all secondary data sources that the PER should utilize, including administrative data. These are best classified as: (i) early reading materials; and (ii) other standard data to be used in the exercise.

3.1 Early reading

The ToR should require the PER Team, to obtain and read, within the first week of the assignment, all of the following, if available:

- Budget presentation statements
- Budget analyses
- Internal audit reports
- Auditor General reports on the quality of financial reporting, accounting
- The national planning frameworks
- Reports related to internationally-agreed development goals
- Annual budget supporting documents and reports, such as
 - The review of the economy
 - Review of fiscal measures
 - Macroeconomic framework
 - Macro-economic outlook;
 - Planning and Budgeting Guidelines provided by government
- Ministry of Finance reviews of the economy
- Laws guiding expenditure of public funds
- Relevant project execution reports

3.2 Other secondary data

- GDP by sector
- Data from household living standards surveys
- Agricultural census and survey reports
- Data on commitments and disbursements of donor funds.
- Reports on execution of the development budget.
- Ministry of Finance data on budgets and budget execution
- Data used in preparing the medium term and long term plans
- Data collected on budget execution, particularly data from agencies of the agriculture sector:
 - Ministry
 - Hospitals
 - Departments
 - Community primary care centres
- Details of sector policies
- Applicable laws related to education, including laws on mandatory school attendance.
- Revenue collection by category.
- International data available on:
 - UNSD websites
 - World Bank websites
 - IMF websites
 - IADB websites

3.3 Data on external funding

- Data on funding sources should be obtained from the Ministry of Finance.
- The OECD has a website documenting its external funding, including EU funding, and the EU has its own website. The IMF, the World Bank, and the IADB are also sources of this type of data. The Article IV reports are rich sources.

3.4 Primary data to be collected

To assist with and complement the computations indicated above, the PER normally needs to collect its own primary data from staff in the ministries that spend in relation to the sector being reviewed. The ToR should indicate if any primary data should be collected from these sources.

If primary data are to be collected, the ToR should address the fact that most staff are not likely to know about the upcoming sector PER. It should require that, in designing interviews, the sector PER Team should bear in mind that respondents must be able to answer the questions put to them. In particular, the PER Team must be required to consider:

- a. The respondent's general and specific understanding of the information sought.
- b. The ability of the respondent to provide and explain the data sought.
- c. Using qualitative information when quantitative data are not available.

The sector PER Team should also be guided as to whether to rely on qualitative data from knowledgeable staff, well-placed and competent to provide information relevant.

In that regard, the PER Team should be directed to obtain adequate prior information on the agency or organization in which the interviewee works, and its specific relevance to the PER. Websites and institutional reports are excellent sources of such information.

The ToR should indicate whether information is needed from staff on any or all of the following:

- a. Understanding of the sector and national the planning frameworks, and their relationship to the budgets prepared by the line ministries and the Ministry of Finance.
- b. The mechanisms of coordination of sector activity and expenditure in all agencies involved in the sector.
- c. The extent to which the budget process satisfies the necessary conditions for achieving sector goals as listed above.
- d. Their level of satisfaction with government programmes in reducing poverty and addressing social protection generally.
- e. Their assessment of the economy, efficiency and effectiveness of expenditure of allocations.

The ToR should require the PER Team to follow standard interviewing practice when gathering information, and therefore to do the following:

- a. Prepare a written, specific, and well-designed list of interview questions.
- b. Make an appointment to secure the opportunity to conduct each interview
- c. Indicate the approximate length of the interview when seeking an appointment.
- d. At the start of each interview, explain summarily the nature of the issues to be raised.
- e. Conduct the interview at a time convenient to the respondent.

The ToR should indicate whether data should be collected based on any of the following methods: public expenditure tracking surveys; citizen report cards; and community score cards.

3.4.1 Public Expenditure Tracking Surveys

If required, the PER Team should be guided that a Public Expenditure Tracking Survey (PET) is used to track the *flow of funds* through all the different layers of government to the final agricultural supplier, e.g. a hospital. The Survey seeks to identify and understand problems in budget execution and service delivery, in support of the PAER. It follows the document trail of all financial requests, commitments, approvals, payments, virement and transfers, to verify whether:

- a. The outturn is consistent with the initial budget allocation.
- b. Mutually consistent records exist at all levels.
- c. The flow of funds is affected by delays in financial payments or transfers or by other delays in distribution of materials from central stores.

The Team should be guided as to whether to use the tool to:

- a. Find inconsistencies in the classifications used in annual sector action plans or to assess the level of resources actually allocated and actually used to deliver particular services in specific local areas or communities of concern to government.
- b. Identify and reduce leakages of public funds, and to increase the economy, efficiency and effectiveness of public spending.

3.4.2 Citizen Report Card and Community Score Cards

Since all the governments are interested in good governance, and in particular in transparency and consensus-building, the ToR should specifically instruct as to whether to introduce a Citizen Report Card and a Community Score Card into the data collection process. The purpose would be to provide the PER with the score on a chosen scale – say from 1 to 10 - obtained from the actual beneficiaries of the services provided at the individual or community level.

Specifically, the Team should be guided that a Citizen Report Card targets randomly selected beneficiaries directly and allows the PER to:

- a. Collect data on citizen satisfaction with delivery of public services from the actual targeted users of the service.
- b. Assess how respondents rate the performance of specific service providers.
- c. Compute comparative performance measures across service providers.
- d. Provide the public with a database of information on citizen evaluation of services supplied by government.

On the other hand, the Community Score Card identifies and targets important community leaders and representatives, and gathers similar data on their satisfaction with the services and service providers.

4 Procurement procedures

The ToR should specify the procurement procedures to be followed in recruiting the sector PER Team or any resources that the Team, once selected, needs to hire or purchase. This should apply even if the Team is to comprise current experts from within the public service. Failure to account for possible procurement delays can prevent the review from fitting adequately into the schedule of the budget it is intended to inform. In all the partner governments, procurement procedures include:

- a. Defining the ToR
- b. Advertising the assignment
- c. Interviewing the applicants
- d. Drawing up contracts or reassignment documents, with the latter needed if the recruit is a current member of the public service.