

# **TERMS OF REFERENCE OF THE INDIVIDUAL CONSULTANT FOR THE ESTABLISHMENT AND INITIAL FUNCTIONING OF PUBLIC FINANCIAL MANAGEMENT GOVERNANCE GROUP (PFM-GG) AND PFM-GG SECRETARIAT**

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## **1. BACKGROUND**

The Article 14, Section (1) to section (11) of the Constitution of the Kingdom of Bhutan, Public Finance Act (PFA) 2007 and PFA (Amendment) 2012, and Financial Rules and Regulations (FRR) 2001 provides the legal framework for Public Financial Management. Prudent Financial Management plays a critical role in contributing towards socio-economic growth and poverty reduction besides improving public service delivery. As such, concerted efforts are made to make public finances affordable, efficient, fair, accountable and transparent.

The Royal Government of Bhutan placed a high priority on strengthening of PFM and accordingly, the Ministry of Finance embarked on major reform for improving the Public Financial management beginning with Public Financial Management Assessment in 2009-2010 using a Performance Measurement Framework developed by Public Expenditure and Financial Accountability (PEFA) development partners. PEFA is basically a framework for strengthening public expenditure system of a country. It pays high priority to transparency and accountability in utilizing and managing public funds. The core objective of PEFA is to enhance expenditure management of the public funds and reduce associated fiduciary risk. The PEFA initiative has developed a robust tool for measuring PFM performances and providing sound assessment of the quality of PFM for countries of all income levels.

In order to spearhead further reforms in the areas of Public Financial Management, PFM Governance Group (PFM-GG) was constituted under the chairmanship of Hon'ble Secretary, Ministry of Finance. Effective implementation of action plan contributes to improve PFM performances that eventually help to achieve better service delivery and efficiency in public expenditure management.

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PFM-GG has been established as an apex body with the objective of leading the PFM reform agenda in the country by providing strategic direction, monitoring the PFM Reform action plan, harmonization with donors and providing advice on sources of financing the reforms. The PFM-GG will be using PEFA indicators as a primary basis for achieving the desired results. PFM-GG will monitor the implementation of the PFM Strategy of RGoB.

The role of the PFM-GG would include providing strategic advice and recommendations on:

- i. Development of the Overall Framework of the PFM Reform Program,
- ii. Development of a capacity building program,
- iii. Development of measurable milestones to monitor progress,
- iv. Assessing and reporting progress over time,
- v. Organizing seminars and workshops on various themes that relate to PFM reform,
- vi. Liaison with Development Partners, etc.

The Royal Government of Bhutan has received a grant from World Bank towards Strengthening Public Financial Management (PFM) Project, and it intends to apply part of this grant for the Consultancy support on Establishing and initial functioning of PFM-GG and PFM-GG Secretariat.

**2. OBJECTIVES**

The main objectives of the proposed consultancy service are as follows:

- i. Strengthening Royal Government of Bhutan's PFM system.
- ii. Capacity development for overall PFM improvement.
- iii. Enhance PFM-GG Secretariat capacity to organize trainings, workshops, seminars, conferences and meetings etc.

