

Terms of Reference

International Consultancy for Strengthening the documentation and classification of the budget of the Royal Government of Bhutan

1. Background

- 1.1 The annual budget of the Royal Government of Bhutan (RGoB) is formulated by the Department of National Budget (DNB), Ministry of Finance (MoF) in consultation with the budgetary agencies and formal approval is accorded by the Parliament with a supplementary budget for the ongoing year. The budget preparation process is described in the Budget Manual which also describes the structure and classification of the budget. The Budget Policy and Fiscal Framework Statement contains key macro fiscal aggregates including proposed instruments of financing. The National Budget Report contains the fiscal performance of the previous year, revised budget for ongoing year and budget estimates for next year along with domestic revenue projections, expenditure, financing, sector allocations, tax measures, macro-economic performance and outlook and performances of state-owned enterprises.
- 1.2 Initiatives have been taken to promote and mainstream GRPB in the socioeconomic development plans and activities. The MoF, through its Budget Call Notifications, has been notifying the budgetary bodies to take into account gender, environment, climate, disaster and poverty (GECDP) while formulating their plans and programs. Section 3.3.4 of the Budget Manual 2016 states that the budget proposals by all Agencies Shall consider gender, environment, climate change, disaster and poverty (GECDP) issues which are cross-cutting in nature and highlight in the policy statement.
- 1.3 The RGoB has started (FY 2015/16) producing in-year budget reports – the quarterly Budget Performance Report. There is a need to review the structure and contents of the existing report to facilitate budget analysis on sectoral allocation, revenue, debt lending etc. and to produce a disclosable version of the Budget Performance Report and maintain continuity in its preparation and disclosure.

2. Statement of Interest

- 2.1 The RGoB, through its Department of Macroeconomic Affairs in the Ministry of Finance, wishes to engage an individual consultant who has international and regional levels of experience and expertise on budget documentation, in particular, application of modern elements of budgeting on aspects such as gender responsive budget, climate and environment impact budgets, budgeting for natural resources etc. International good practices and guidelines should be considered (such as Open Budget Survey and guidelines of IMF and OECD). The BOOST, a Bank tool for supporting budget, could also be explored.
- 2.2 In the above background, the overall objective of the assignment is to provide technical guidance and hand-holding support to the RGoB on enhancing the contents of the National Budget Report and in-year quarterly Budget Performance Report which are citizen friendly. This will include strengthening the capacity of civil servants, preparing human resources on these aspects and developing the necessary policy and methodological documents with the objective of reflecting these in the budget preparation process, documentation and in-year reports. The RGoB intends to implement the recommendations in the 12th Five Year Plan.

3. Scope of Services, Tasks (Components) and Expected Deliverables

Budget Report

- 3.1 Review the existing budget documentation (the National Budget Report) in line with international good practices (including Public Expenditure and Financial Accountability guidelines, relevant indicators and current PEFA scores¹ as per 2016 Report) and prepare guidelines on preparation of the Budget Report incorporating the focus areas discussed in section 2 above (*GECDP*) and further identified during stakeholder discussions. These guidelines should include the structure of the National Budget Report and steps for implementation and include meaningful visual analytics.
- 3.2 To incorporate the recommendations of PEFA 2016, particularly PI-9, PI-16, PI-28 and PI-11.
- 3.3 Identify and recommend the changes that would be required in the Budget Manual of the Financial Rules and Regulations (FRR) and other documents of the RGoB to operationalize the revised National Budget Report structure and contents.

In-Year Budget Reports - Budget Performance Report

- 3.4 Review the structure and contents of RGoB's present in-year budget report in line with the requirements of the intended users and suggest changes to include information for a more meaningful and informed decision and analysis.
- 3.5 Suggest format of in-year quarterly budget report for public disclosure for enhancing budget transparency.

Annual Grant Guidelines

- 3.6 Review and finalize the Gewog² Annual Grant (GAG) Guidelines. This is in line with the Ministry of Finance's initiative to implement Annual Grants in the Local Governments. A draft guideline has already been prepared and provides the framework and procedures for operationalizing the GAGs with special focus on *budgeting, release and accounting* procedures and also outlines the minimum conditions for use of the GAGs.

4. Team Composition & Qualification Requirements for the Key Experts (and any other requirements which will be used for evaluating the Key Experts under Data Sheet 21.1 of the ITC)

- 4.1 The assignment will require a high level of technical competence in the area of designing and implementing government budgeting systems in diverse country settings, expert knowledge in modern budgeting formats and capacity building and institutional reform needs. The international consultant is expected to have the following qualifications and experience.
 - Post-graduate degree in public policy, public finance, development studies, or economics related field from a recognized university

¹ For Example: Bhutan's score against indicators Medium Term perspective in expenditure budgeting (PI-16) and In-Year Budget Reports (PI-28) was C+.

² Gewog is the Block level of Local Government.

- At least 15 years' international experience in various countries in public financial management reforms and particularly in the areas of budget preparation, documentation and analysis and the requirements of the Open Budget Survey and OECD/IMF guidelines on budgets and fiscal transparency
- Proven track record of successfully completing at least 2 assignments in areas of budgeting reforms covering aspects on gender, environment etc
- Expertise in developing training programs and materials, and conducting training sessions and dissemination workshops
- Familiarity with computer applications on public financial management particularly budgeting systems would be an advantage
- Ability to work with the operational staff and officials at the Secretary level and with Parliamentarians
- Ability to work in an independent manner with efficient workflow
- Fluency in spoken and written English

5. Payment schedule, Reporting Requirements and Time Schedule for Deliverables

The consultant is expected to spend about 30 working days on the assignment over a period of about 1.5 months and shall submit the following reports and documentation to DMEA:

<i>S.No.</i>	<i>Deliverables</i>	<i>Timeline</i>	<i>Percent of payment</i>
1	Inception Report including broad implementation plan	3 days	30% upon contract signing in Thimphu and 70 % upon satisfactory completion of the assignment
2	Draft revised format for (a) National Budget report and (b) In-year quarterly budget report;	12 days	
3	Finalize the revised format for (a) National Budget report and (b) In-year quarterly budget report	5 days	
4	Review and finalize the Gewog Annual Grant Guidelines	5 days	
4	Draft, Discuss and submit a proof of concept Revised National Budget Report prepared	5 days	

In addition, consultant will hold consultations with relevant government and other officials as required to fulfill the assignment. The consultant will also communicate on regular basis with Mr.Sonam Penjor of DMEA and provide weekly updates on issues, constraints and potential solutions to carry out the assignment.

This will be a lumpsum output based contract. In addition, an amount of US\$..... per day will be provided to the consultant to cover the cost of boarding and lodging. In addition, cost of 1 round-trip economy class tickets will be provided from the home location of the consultant to Thimphu.

6. Client's Input and Counterpart Personnel

(a) Services, facilities and property to be made available to the Consultant by the Client:

i) Office Space

ii) Support for coordinating with relevant government agency/ official