

Terms of reference



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GENERAL INFORMATION

Title: Expert on Investment and Public Finance Fiscal Capacity Assessment on Sovereign Wealth Fund /Natural Resource Fund for Musi Banyuasin District

Project Name: UNDP Innovative Financing Project—Support to Musi Banyuasin District Government to Establish Sovereign Wealth Fund

Reports to: Technical Adviser for Natural Resource Governance

Duty Station: Home-based

Expected Places of Travel (if applicable): N/A

Duration of Assignment: April – June 2017 (27 working days within 3 months)

REQUIRED DOCUMENTS FROM HIRING UNIT

- ☒ TERMS OF REFERENCE
- ☒ CONFIRMATION OF CATEGORY OF LOCAL CONSULTANT, please select:
 - Junior Consultant
 - Support Consultant
 - Support Specialist
 - Senior Specialist
 - **Expert/ Advisor** [☒]
- ☒ CATEGORY OF INTERNATIONAL CONSULTANT, please select:
 - Junior Specialist
 - Specialist
 - Senior Specialist
- ☒ APPROVED e-requisition

REQUIRED DOCUMENTATION FROM CONSULTANT

- ☒ CV / P11
- ☒ Copy of education certificate
- ☒ Completed financial proposal
- ☒ Completed technical proposal

Need for presence of IC consultant in office:

☒ intermittent (deliverables-based)

Provision of Support Services:

Office space:	Yes	<input checked="" type="checkbox"/> No
Equipment (laptop, etc.):	Yes	<input checked="" type="checkbox"/> No
Secretarial Services	Yes	<input checked="" type="checkbox"/> No

I. BACKGROUND

Indonesia's abundance in natural resources is a notion from the past. Due to the dwindling and finite natural resources, this statement is no longer representative of the changing environmental landscape. Because these resources are limited and non-renewable, their use should be optimized for the welfare of local communities.

Through cooperation in managing natural resources, the government earns revenue in the form of tax and non-tax state revenues such as royalties, as well as government shares of oil and gas contracts; a portion of this revenue then flows to local government budgets.

However, revenue from natural resources per capita has a very weak correlation with the Gini Index and the reduction of inequality, in particular in Musi Banyuasin District. The district has not been successful in optimizing the advantages of natural resources, in reducing income gaps and poverty.

This raises the question of whether Musi Banyuasin District has been trapped in the "resource curse," a global trend in which regions rich in natural resources are likely to be negligent in their management causing little or no benefit to local residents. The presence of natural resources alone does not support efforts to improve people's welfare or reduce inequality and poverty.

In order to address the resource curse, many countries that receive significant revenue from the oil, gas, mining or mineral sectors have established a Sovereign Wealth Fund (SWF). Currently, there are 54 natural resource funds, one of which, had roughly \$ 3.5 trillion in assets at the end 2013, as indicated by a survey conducted by Natural Resource Governance Institute. For Indonesia, there are several reasons why implementing the Sovereign Wealth Fund should be considered:¹:

- To manage volatile and unpredictable revenue issues from the oil, gas and mineral sectors.
- To save revenue that comes from the natural resource industry.
- To stabilize large capital inflows.
- To limit the discretion of politicians in making spending decisions and earmarking revenues for public investments.
- To "ring-fence" resource revenues to protect them from corruption or mismanagement.

The Musi Banyuasin District Government wants to learn from other countries how to tackle the problem of resource curse. Learning from the experiences of others, it is important to set firm objectives, clear fiscal and investment rules, strong institutional structure with capable personnel, apply good governance principles in all business processes, and establish strong independent oversight bodies.

Context of this Consultancy Work:

This consultancy work will identify the fiscal capacity and sustainability of the Musi Banyuasin District

¹ The source that is used to argue why Indonesia Government needs to consider having SWF is referred or taken from NRGi's Policy Review, Natural Resource Fund Governance: The Essentials, August 2014, page 12-13.

Government to implement the Sovereign Wealth Fund. If implemented, these funds have the potential to support the government in sustaining its revenue flows over time, while also providing an opportunity to convert non-renewable resources into other forms of capital, benefiting current and future generations.

UNDP Indonesia can leverage the experiences of other countries that have SWFs in place, and through South-South exchanges, learn about the impact of SWFs on human development, as well as issues related to their establishment and management. Asia-Pacific countries that have established SWFs include: China, Singapore, South Korea, Iran, Malaysia, Brunei, PNG, Mongolia, Australia, New Zealand, Vietnam and Timor-Leste.

II. SCOPE OF WORK, RESPONSIBILITIES AND DESCRIPTION OF THE PROPOSED ANALYTICAL WORK

In order to have a comprehensive mapping of the feasibility of implementing a Sovereign Wealth Fund in Musi Banyuasin district, UNDP Indonesia would like to facilitate the Musi Banyuasin District Government in conducting a study.

This analysis will determine the amount of revenue from the natural resource sectors that should be allocated, as well as risks, investment potential, and sustainability of a SWF in Musi Banyuasin District.

Under the general supervision of the Technical Adviser for Natural Resources Governance, the designated consultant will undertake the following activities:

- Design and implement methodology to determine the fiscal capacity of Musi Banyuasin District to implement SWF over a 10-year period.
- Create an estimation of fund allocation for SWF from different sectors in the natural resource industry, particularly the extractive sectors i.e. mining, gas and oil.
- Outline potential for investment areas for SWF and conduct a risk assessment.
- Analyse existing National and Subnational regulations, policies and institutions concerning investments from natural resource funds.
- Determine which existing policies or those that are needed to facilitate investments from SWFs/Natural Resource Funds in Indonesia.
- Develop a report outlining the parameters for the implementation of SWFs/Natural Resource Funds by Musi Banyuasin District Government

III. WORKING ARRANGEMENTS

Institutional Arrangement

The Consultant will be supervised by and report to the Results Based Management Analyst, Quality Assurance and Results Unit, who will also carry out a performance evaluation at the end of the assignment.

Duration of the Work

27 working days (April – June 2017)

Duty Station

Home based

Expected Places of Travel (if applicable):

N/A

Travel Plan

Below is an indicative travel plan for the duration of the assignment. The Consultant will be required to travel to the below indicated destinations and include the relevant costs into the proposal. There may be also unforeseen travel that will come up during the execution of the contract, which will be agreed, on ad-hoc basis.

No	Destination	Frequency	Duration/days
	N/A	N/A	N/A

IV. REQUIREMENTS FOR EXPERIENCE AND QUALIFICATIONS**I. Academic Qualifications:**

- Master's Degree (MA.) in Public Finance or Economics.

II. Experience:

- Minimum 10 years of relevant experience in carrying out public financing and government investment analyst work and sustainable development financing related work;
- Good knowledge on common issues faced by Sub-National Governments with regard to effective fiscal management and financial investment from government fund sources
- Strong and proven research and analytical skills;
- Excellent command of written and spoken English, including strong report writing skills in clear and concise English;
- Initiative and ability to organise his/her work independently, but also work as part of a team since this assessment will be carried out together with other consultants;
- Proven ability to deliver high quality outputs when working under tight deadline conditions;
- Ability to communicate effectively and to facilitate discussions at the senior level with government officials and development communities;
- Excellent computer skills (Word, Excel, PowerPoint, Internet); and,
- Knowledge on sovereign wealth fund or natural resources fund is an advantage.

Functional Competencies:**Knowledge Management and Learning**

Promotes knowledge management in UNDP and a learning environment in the office through leadership and personal example

Actively works towards continuing personal learning and development in one or more Practice Areas, acts on learning plan and applies newly acquired skills

Development and Operational Effectiveness

Ability to lead strategic planning, results-based management and reporting

Ability to lead formulation, implementation, monitoring and evaluation of development programmes and projects, mobilize resources

Ability to formulate and manage budgets, manage contributions and investments, manage transactions, conduct financial analysis, reporting and cost-recovery

Good knowledge of the Results Management Guide and Toolkit

Good ICT skills, knowledge of Atlas

Ability to implement new systems and affect staff behavioral/ attitudinal change

Management and Leadership

Builds strong relationships with clients, focuses on impact and result for the client and responds positively to feedback

Consistently approaches work with energy and a positive, constructive attitude

Demonstrates good oral and written communication skills

Demonstrates openness to change and ability to manage complexities

Other Requirements:

In addition to the scope and responsibilities stated above, the incumbent will be required to undertake other ad hoc tasks that may arise during the contract period. These tasks will be delegated by the supervisor who will ensure that these ad hoc tasks do not impede on the incumbent's ability to meet contractual obligations/deliverables.

All materials and other intellectual property produced while working under contract including, but not limited to, documents, presentations, white papers, photographs and other media, will remain the property of UNDP and are required to be submitted to UNDP Senior Management for archiving.

V. EXPECTED RESULTS/DELIVERABLES

Deliverables/ Outputs	Target Due Dates	Review and Approvals Required
1. Develop agreement on the scope of assessment and areas of focus. Draft outline of the assessment report, propose mission schedule, and circulate these for comments to UNDP and Musi Banyuasin District.	2 working days (April 2017)	Technical Advisor for Natural Resources Governance
2. Provide preparatory review of relevant National and Subnational regulations, policies and institutions concerning investments from natural resource funds.	2 working days (April 2017)	
3. Provide stakeholder consultations for meeting both in Musi Banyuasin and Jakarta	5 working days (May 2017)	
4. Provide presentation on the initial results to UNDP and Musi Banyuasin District.	7 working days (May 2017)	

5. Submission of the initial report to UNDP CO and Musi Banyuasin District Government.	4 working days (June 2017)		
6. Provide implementation report from UNDP CO and Musi Banyuasin District Government.	3 working days (June 2017)		
7. Provide final evaluation report submitted to UNDP CO and Musi Banyuasin District Government.	4 working days (June 2017)		

VI. EVALUATION METHOD AND CRITERIA

Individual consultants will be evaluated based on the following methodology:
Cumulative analysis using weighted scoring method will be applied to evaluate the applicant. The award of the contract will be made to the individual consultant whose offer has been evaluated and determined as:

- Responsive/compliant/acceptable with reference to TOR, and
- Having received the highest score out of a pre-determined set of weighted technical and financial criteria specific to the solicitation.

➤ Technical Criteria Weight: 70%

➤ Financial Criteria Weight: 30%

Only candidates obtaining a minimum of 70 point would *be considered for the Financial Evaluation*

Criteria	Weight	Maximum Point
<u>Technical</u>		<u>100</u>
· Criteria A: qualification requirements as per TOR:	70%	70
1. Master's Degree (MA.) in Public Finance or Economics.		20
2. Minimum 10 years of relevant experience in carrying out public financing and government investment analyst work and sustainable development financing related work Regional Experience		20
3. Has experience working on common issues faced by Sub-National Governments with regard to effective fiscal management and financial investment from government fund sources		20
4. Has experience on sovereign wealth fund or natural resources fund		10
· Criteria B: Brief Description of Approach to Assignment (describe it in Technical Proposal)	30%	30
· Criteria C: Further Assessment by Interview (if any)	N/A	N/A