

**TERMS OF REFERENCE**

**for National Consultant to conduct a study on improvement of intergovernmental fiscal relations in Mongolia**

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| **Assignment Title:** | Data Analyst for study on improvement of intergovernmental fiscal relations in Mongolia |
| **Project:** | “Strengthening Representative Bodies in Mongolia” project |
| **Contract Type:** | Individual Contract (40 working days) |
| **Contract Duration:** | September 15 – December 30, 2020 |

**Background**

The Constitution of Mongolia was revised the second time in history on November 14, 2020, leading to amendments to relevant legislative acts. The revised Development Policy, Planning and Management Law of Mongolia approved in May 2020 serves as a legal basis for policy coordination and accountability for formulation and implementation of long-, medium- and short-term national and local development policies and programs in Mongolia. Vision – 2050 as a long-term national development policy was newly adopted by the Parliament of Mongolia in May 2020. The Law on Administrative and Territorial Units is being revised to clearly define roles and mandate of the local representative bodies and governments and assign their functions to further deepening the decentralization in Mongolia.

Decentralization policy of the Government adopted in 2016 has put forward important objectives, including delegating functions for delivery of common public services to middle and lower administrative units, implementing flexible tax and public investment policies to improve economic independence of local governments, strengthening the system of Local Development Fund, and allocating budgetary resources to central and local governments to fulfill the functions assigned to them. The Government has conducted functional review of ministries and local governments to redefine and reassign functions of central and local governments to further deepening the deconcentration.

Local development planning and budgeting processes are important as their active involvement of local governments is necessary to achieve 65 percent of the SDGs. The current initiatives in this context include program-based or SDG-informed budgeting pilot in health, environment and education sectors supported by UNDP/ADB and analysis on natural resource use fee and expenditure for environmental conservation and restoration activities in selected two aimags (Biofin project, 2018). The Government of Mongolia has taken a series of initiatives toward fiscal decentralization and increased public participation in the country’s budget priorities and decision-making, including reassignment of more shares of certain taxes to strengthen the revenue source of the local development fund and transfer of central governments assets to local governments.

**Objective**

The objective of the assignment is to conduct a full study for further developing and strengthening intergovernmental fiscal relations and improving the legal and institutional framework to respond to the challenges identified and encountered in the ongoing decentralization reforms.

The proposed study will specifically analyze the current intergovernmental fiscal relations and propose a set of recommendations and measures to: (i) maintain aggregate macrofiscal control in a devolved environment; (ii) ensure fiscal accountability and transparency; (iii) design and manage appropriate expenditure assignments at the subnational level with particular emphasis on the responsibilities that are shared between national ministries and subnational governments; (iv) ensure effective delivery of services in the areas assigned to local governments; (v) ensure adequate subnational revenues to fund expenditure tasks with equity and efficiency; (vi) provide incentives for local officials to develop their own taxes and fees; (vii) retain effective Ministry of Finance and external audit oversight of public financial management processes at the local level, and specifically ensure adequate control of expenditures and /borrowing at the subnational level; (viii) organize timely and effective fiscal reporting; and (ix) identify institutional capacity gaps and propose a strategy to address them.

##### Scope of work

The contractor with support from the Consolidation division, Fiscal Policy and Planning Department, and Public Investment Department, Ministry of Finance, and the legal team working on the revision of the Law on Administrative and Territorial Units shall perform the following tasks:

1. Undertake a desk review of the legal framework, public financial management processes and procedures (including but not limited to the Integrated Budget Law, the Fiscal Stability Law, the newly adopted Law on the Development Policy, Planning and Management, the Law on the Administrative and Territorial units as well as its revision, previous studies and international experiences and practices in fiscal decentralization). Write an inception report defining the scope, detailed methodology and workplan with critical milestones in close consultation with the Lead Consultant, the UNDP and MoF;
2. Collect and analyze data on central-local fiscal relations and local government finance:
	* Total revenue, by sources of revenues (in tugrug, %), by aimags, soums, capital city and districts;
	* Total expenditure, by sectors and ‘own’ and ‘delegated services’ (in tugrug, %) by aimags, soums, capital city and districts;
* Trends and changes of the last few years.
1. Undertake a review of the public financial management framework for local governments, including budget preparation, execution practices, GFMIS, payment system and Treasury single account, reporting and audit systems and performance agreement framework and international best practices.
2. Conduct fiscal impact analysis and estimations related to the proposed transfer of the functions to local governments (Aimag/capital city and Soum/district) considering the draft law on the Administrative and Territorial Units;
3. Make assessment of current transfer mechanism (financial support, special purpose transfers and revenue transfers) and to develop an appropriate transfer mechanism for strengthening fiscal decentralization;
4. Provide support to the policy analysis proposing ways to improve intergovernmental fiscal relations towards gradual fiscal decentralization;

Provide support to a comparative analysis of local budget in terms of their enforcement of the Integrated Budget Law and identify issues that lead to weak fiscal discipline;

1. Organise and join consultations with the Parliament, Cabinet Secretariat, MOF, line ministries, local governments, civil society and other parties on the proposed set of recommendations and roadmap along with supporting assessment and estimates;

Produce visual materials (graphs, infographics etc.) to illustrate the key findings, recommendations, and proposed measures;

Submit the final report ready for publication.

##### Key deliverables

1. Inception report outlining detailed methodology and workplan which specifies division of responsibilities and inputs together with the other consultant in a timely manner;
2. Report on the findings of relevant desk review and data collection plan;
3. Analysis of revenue allocation and transfers;
4. Review report on the public financial management framework;
5. Proposed recommendations and measures along with fiscal impact analysis, estimates and alternatives for further developing and strengthening intergovernmental fiscal relations, and improving the legal and institutional framework in terms of expenditure assignment, revenue allocation-taxes, revenue allocation-transfer, legal framework and the public financial management framework in manner of gradual fiscal decentralization and fiscal neutrality;
6. Comprehensive report on enforcement of the Integrated Budget Law at the local government level including identification of areas leading to weak fiscal discipline and recommendations for improvement in fiscal discipline;
7. Assessment report of current central to local transfer mechanism;
8. Report on outcome of the consultations and revised set of recommendations and measures along with supporting assessments and estimates;
9. Visual materials (graphs, infographics etc.) to illustrate the key findings, recommendations and proposed measures
10. Published final report.

All deliverables shall be submitted in English and Mongolian.

**Reporting arrangements**

The Contractor will report to Program officer, UNDP, and project managers of the UNDP two projects- “Strengthening Representative Bodies in Mongolia”, and “Support to implementation of the 2030 Agenda in Mongolia”. The consultant shall closely work with the Consolidation division and other divisions, Fiscal Policy and Planning Department, and Public Investment Department of the Ministry of Finance and the Cabinet Secretariat.

##### Payment schedule

All payments shall be made upon submission and acceptance by UNDP Country Office.

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|  | **Deliverables** | **Target Due Dates** | **Payment installments** |
|  | Deliverable 1 | By September 25, 2020 | 15% of total payment |
|  | Deliverable 2, 3, 4 (draft) | By October 15, 2020 | 20% of total payment |
|  | Deliverable 4  | By November 15, 2020 | 20% of total payment |
|  | Deliverable 5 and 6  | By December 15, 2020 | 25% of total payment |
|  | Deliverable 7 | By January 15, 2021 | 20% of total payment |

##### Requirements to Contractor

* BA or higher degree in Finance and Economics from a credible institution;
* At least 5 years of experience in public financial management and fiscal policy formulation and analysis;
* Relevant experience in research and analysis;
* Knowledge of macroeconomics and/or public policy analysis would be an advantage.
* Highly organized in setting priorities, producing quality outputs, meeting deadlines and managing time efficiently;
* Ability to maintain overview in complex work situations, self‐initiated;
* English proficiency to write the report;
* Good analytical writing skills (professional reports and study reports);
* Work toward finding creative solutions by analyzing and applying systemic approach.

**Criteria for Selection of the Best Offer**

Combined Scoring method will be used, where the technical proposal will be weighted a max. of 70% and combined with the price offer which will be weighted a max of 30%. Below is the breakdown of technical proposal scores.

* Educational background – 20%
* Proposed methodology – 30%
* Relevant work experience, including relevant publications – 50%

Financial proposal shall include daily fee as well as other costs to be incurred, including travel costs, where relevant.

**The TOR is approved by**

Barkhas Losolsuren,

SDG and Governance Programme Analyst, UNDP Mongolia

Date:

**Submitted by:**

Zoljargal Gantumur

Project Manager, SRBM

Date:

**Annex 1**

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| **Criteria** | **Weight**  | **Max. Point** |
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| **Technical criteria 1: Expertise of the consultant** |  | **50** |
| At least 5 years of experience in public financial management and fiscal policy formulation and analysis |   | 30 |
| Relevant experience in research and analysis |  | 20 |
| **Technical criteria 2: Qualification of the consultant** |  | **20** |
| BA or higher degree in Finance and Economics from a credible institution |   | 15 |
| English proficiency to write the report |  | 5 |
| **Technical criteria 3: Proposed methodology and timeliness of the implementation plan** |  | **30** |
| A brief proposal describing the methodologies, work plan and proposed strategy  |   | 30 |
| **Technical Score** | ***70*** | **100** |