Terms of Reference

**Consultant to Develop Methodologies for the Preparation of Baseline Scenarios Tailored to the Needs of the Ministry of Finance and Other Budget Users**

for

Improving Public Financial Management for the Green Transition Project

# Background

Improving Public Finance Management for the Green Transition in the Republic of Serbia is a four-year Operation supported by the World Bank and the AFD, which aims to help the Government of the Republic of Serbia in strengthening its capacity to manage public finances and implement green investments. Key implementing institutions besides the Ministry of Finance are the Ministry of Environmental Protection, the Republic Property Directorate, the Public Policy Secretariat, the Public Procurement Office.

The operation consists of two components:

1) **Program for Results (PforR) component (Program)** comprising two results areas:

* Strengthen fiscal resilience, transparency, and spending effectiveness-focused on further strengthening fiscal resilience, using public expenditure management to enhance efficiency and a results focus, enhancing the ability to link plans and budgets through stronger costing at the planning stage, improving fiscal transparency, and improving the preparation of public investment projects.
* Greening Serbia’s expenditure cycle and developing selected other institutions for greater environmental resilience- focused on introducing and utilizing green criteria in PFM, PIM, and public procurement, and on strengthening systems for monitoring and reporting on GHG emissions from installations.

2) **Investment Project Financing (IPF)** **component (Project)** consisting of technical assistance to support the implementing entities in delivereing expected results. The IPF component will consist of TA -- including trainings, capacity building and peer learning, support for stakeholder engagement, and support for managing the Program.

The Operation development objective is to improve core PFM functions and institutional capabilities needed for Serbia’s fiscal resilience and green transition.The Operation will support the following core public financial management functions (i) budgeting and strengthening linkages between plans and budgets, (ii) public investment and asset management, and (iii) fiscal risk management.

The Ministry of Finance is in the process of strengthening its medium-term expenditure framework (MTEF) and enhancing the process of planning and programming the budget. As part of this effort, two methodologies for the preparation of baseline scenarios are required:

* **Variant 1:** Tailored to the business processes and needs of budget analysts within the Ministry of Finance who are responsible for preparing the medium-term expenditure framework and improving budget planning and program budgeting processes.
* **Variant 2:** Adapted to the needs and business processes of other ministries and smaller budget users.

Both methodologies must be aligned with the International Monetary Fund's (IMF) comments and recommendations, in line with the commitments made under the Action Plan for Strengthening the Medium-Term Expenditure Framework.

Beneficiaries: The primary users of the methodology tailored for the Ministry of Finance will be the budget analysts who are responsible for the preparation of the Medium-Term Expenditure Framework (MTEF) and the program budget. They will benefit from a more structured, consistent, and robust process that enhances their ability to forecast and allocate resources strategically, aligning with program performance goals. The tailored methodology for other ministries and smaller budget users will empower budget officers with a simplified, yet effective, tool for planning and managing their budget processes. This will enable these entities to contribute more effectively to the overall government budgeting process, ensuring that their specific needs and constraints are addressed. By improving the clarity and consistency of budget planning processes, administrative and programmatic staff within these entities will be able to better align their operational plans with available financial resources, thereby enhancing the efficiency and effectiveness of public service delivery. Ministries that oversee specific sectors, such as health, education, or infrastructure, will benefit from a methodology that allows for better alignment of sectoral strategies with the national budget framework, facilitating more targeted and impactful resource allocation. The IMF will be also a beneficiary as these methodologies are developed and implemented in alignment with the commitments made under the Action Plan for Strengthening the Medium-Term Expenditure Framework.

Project Description: This project aims to develop two distinct, yet interconnected, methodologies for the preparation of baseline scenarios as part of the broader effort to strengthen the Medium-Term Expenditure Framework (MTEF) within the government. The methodologies will be customized to meet the specific needs and business processes of the Ministry of Finance and other ministries, including smaller budget users. The project is an integral part of the government's Action Plan for Strengthening the Medium-Term Expenditure Framework.. Methodology for Ministry of Finance: This component focuses on creating a methodology that is specifically designed for use by the Ministry of Finance, particularly by budget analysts involved in the preparation of the MTEF and the enhancement of program budgeting processes. The methodology will integrate with existing processes and improve the Ministry’s capacity for fiscal forecasting, resource allocation, and strategic planning. Methodology for Other Ministries and Budget Users: This component involves the development of a complementary methodology tailored to the needs of other ministries and smaller budget users. The goal is to ensure that these entities can effectively contribute to the overall government budgeting process while accommodating their unique requirements and operational constraints.

# Objective of the assignment

The development of a methodology for baseline projections of expenditures is closely connected to DL6 within the framework of the operation 'Improvement of Public Finance Management for the Green Transition aimed at strengthening institutional capacity for performance management at large budget users (LBUs) and the Ministry of Finance (MoF) in the following ways:

* Baseline expenditure projections are essential for estimating the cost of ongoing government programs and services. When integrated with performance management, these projections can be linked to performance outcomes, ensuring that resource allocation is directly tied to results.
* The methodology for baseline projections provides a structured approach to predicting future spending needs, helping LBUs and MoF avoid overspending or underfunding critical areas. However, accurate projections are only effective if they are paired with strong performance management systems.
* A strong methodology for baseline projections allows for the incorporation of performance indicators into the budgeting process. This enables the MoF and LBUs to allocate resources not just based on past spending but based on the expected performance of programs.
* A methodology for baseline projections, when integrated with strong M&E frameworks, provides decision-makers with the tools to make more informed decisions. They can evaluate trade-offs between competing priorities, adjust expenditures based on program performance, and better plan for future financial needs.

The objective is to develop two distinct, yet complementary, methodologies for the preparation of baseline scenarios: one tailored for the Ministry of Finance to enhance medium-term expenditure planning and program budgeting, and another adapted to the needs of other ministries and smaller budget users. These methodologies aim to strengthen fiscal discipline, improve budget coordination, and ensure compliance with, the Action Plan for Strengthening the Medium-Term Expenditure Framework. The main aims are:

 **Strengthen Fiscal Planning:** To enhance the government's ability to prepare accurate and realistic baseline scenarios that support medium-term fiscal planning, ensuring that budget projections are aligned with macroeconomic objectives.

 **Improve Budget Coordination:** To foster greater coherence and coordination in budget planning processes across different government entities, ensuring that all ministries and budget users operate within a unified and consistent framework.

 **Support Fiscal Discipline:** To contribute to stronger fiscal discipline by providing clear, standardized methodologies that reduce the risk of budgetary imbalances and improve the efficiency of public spending.

 **Ensure IMF Compliance:** To develop methodologies that are fully compliant with IMF recommendations and expectations, thereby fulfilling the commitments made under the Action Plan for Strengthening the Medium-Term Expenditure Framework.

# Scope of Services

The Consultant shall be responsible for the following services as part of the development of methodologies for the preparation of baseline scenarios:

**3.1. Inception Phase:**

* **Kick-off Meeting:** Conduct an initial meeting with the Ministry of Finance, to clarify project objectives, expectations, and deliverables.
* **Review of Existing Frameworks:** Perform a comprehensive review of existing budget planning processes, tools, and methodologies used by the Ministry of Finance and other budget users. This review should identify strengths, weaknesses, and gaps in current practices.
* **Best practice examples:** Analysis of best practices in the development of baseline scenarios and the medium-term expenditure framework.
* **Review of Existing IT tools:** Perform a comprehensive review of existing IT tools used by Ministry finance and other budget users in the process of preparing the program budget and the medium-term expenditure framework.
* **Needs Assessment:** Engage with budget analysts and other relevant stakeholders to assess their specific needs and challenges in the preparation of baseline scenarios. This will inform the customization of the methodologies.

**3.2. Development of Methodologies:**

* **Variant 1: Ministry of Finance Methodology**
	+ **Design:** Develop a detailed methodology tailored to the Ministry of Finance’s processes, focusing on enhancing the preparation of the Medium-Term Expenditure Framework (MTEF) and program budgeting. The methodology should include templates, tools, and step-by-step guidance for budget analysts.
	+ **Integration:** Ensure that the methodology aligns with existing financial planning and forecasting tools used by the Ministry and supports the strategic allocation of resources.
* **Variant 2: Methodology for Other Ministries and Budget Users**
	+ **Design:** Develop a user-friendly methodology adapted to the needs and operational constraints of other ministries and smaller budget users. This methodology should simplify the budget planning process while ensuring compatibility with the Ministry of Finance’s framework.
	+ **Customization:** Provide options within the methodology to address the varying capacities and needs of different budget users, with particular attention to scalability and ease of implementation.

**3.3 Stakeholder Consultation and Validation:**

* **Draft Methodologies:** Prepare and submit draft versions of both methodologies for review by key stakeholders, including the Ministry of Finance and the IMF. Ensure that the drafts are comprehensive and address the identified needs and challenges.
* **Consultation Workshops:** Organize and facilitate workshops with relevant stakeholders to present the draft methodologies, gather feedback, and ensure alignment with stakeholder expectations.
* **Revision and Finalization:** Incorporate feedback from stakeholders into the methodologies, making necessary revisions to ensure that they are practical, applicable, and aligned with IMF recommendations.

**3.4. Training and Capacity Building:**

* **Training Materials:** Develop comprehensive training materials, presentation slides, to support the implementation of the methodologies across the Ministry of Finance and other budget users.

**3.5. Implementation Support:**

* **Pilot Testing:** Support the Ministry of Finance and selected other ministries in pilot testing the methodologies, providing on-site or remote assistance to address any challenges encountered during implementation.
1. **Engagement**

The estimated Consultant’s time input is up to 150 working days in total until 30.04.2025. This estimate is indicative, and the contract will be based on the Consultant’s own estimates for the same. The intended start of the assignment is 20.10.2024.

1. **Deliverables**

The selected Consultant shall prepare and deliver the following documents and components in the corresponding stages of the assignment.

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| **Deliverables** | **Due dates** |
| Deliverable 1:First draft versions of methodologies (Ministry of Finance Methodology and Methodology for Other Ministries and Budget Users) for the preparation of baseline scenarios | **60** days after signing the contract |
| Deliverable 2: Second draft versions of methodologies (Ministry of Finance Methodology and Methodology for Other Ministries and Budget Users) for the preparation of baseline scenarios | **90** days after signing the contract |
| Deliverable 3: Develop first version of training materials | **120** days after signing the contract |
| Deliverable 4: Pilot testing of methodologies and develop final version of methodologies (Ministry of Finance Methodology and Methodology for Other Ministries and Budget Users) for the preparation of baseline scenarios and training materials | **150** days after signing the contract |

The selected Consultant shall be paid the lump sum contract amount linked to the defined deliverables.

1. **Reporting**

The Consultant will work under the authority of the Ministry of Finance/Budget department and will report to the Assistant minister on a regular basis regarding the pace of the Project implementation. Reports should be submitted on time with all necessary information. Report and deliverables will be submitted: Reports in Serbian and English, deliverables in Serbian and English language, sent via email as well as 2 hard copies for approval to the Ministry of Finance/Budget department. All reports shall be approved by the Ministry of Finance/Budget department (Assistant minister).

1. **Qualification requirements**

The Consultant is to meet the following requirements:

* The Consultant should have at least 10 years of experience in public finance management.
* Understanding of government budget processes, including the program budgeting will be considered as an advantage.
* Experience working with international financial institutions and donors, on projects related to public finance management will be considered as an advantage.
* At least 5 years’ experience in developing, customizing, and implementing methodologies for budget planning and public finance management.
* Track record of successfully developing training materials and conducting capacity-building activities for government officials or similar stakeholders will be considered as an advantage.
* Advanced university degree in economy or business administration (preferably Master’s degree)
* Proficiency command in English is mandatory.
1. **Input by the Client**

The client shall provide access to all necessary materials, methodologies, data, and IT systems.

1. **Confidentiality**

 The Consultant undertakes to maintain confidentiality on all information that is not in the public domain and shall not be involved in another assignment that represents a conflict of interest to the prevailing assignment.

1. **Selection**

Consultant will be selected in accordance with the Open Competitive Selection of Individual Consultants as set out in the World Bank’s Procurement Regulations for IPF Borrowers: Procurement in Investment Project Financing – Goods, Works, Non-Consulting and Consulting Services (November 2020) and the World Bank's ‘Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing’, dated February 1, 2012, and revised July 10, 2015.

The candidates will be evaluated applying the following evaluation criteria:

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| --- | --- |
| General experience  | 40 points |
| Specific Experience relevant to the Assignment | 60 points |
| **TOTAL:** | **100 POINTS** |