

Terms of Reference
Institutional contract

Equity in Public Financial Management (PFM) Systems in China

- Research (a systematic process of the collection and analysis of data and information to generate new knowledge, to answer a specific question or to test a hypothesis)
- Study (to establish current knowledge around a specific topic through the summarization, interpretation or assessment of information and data).

The study falls into the “Key Programming Areas ” related to public financial management (PFM)

- Subject:** Research quality assessment in equity across thematic sectors in PFM systems , synthesis, and dissemination
- Type of contract:** Consultancy
- Proposed level:** a team of both senior and junior experts from China
- Expected start date:** 1st November 2020
- Duration:** A total of no more than 60 working days by Q1 2021:
1). presentation delivery at the UN Policy Dialogue on Social Protection: 5 working days, by November 2020;
2). Completion of Study: 50 working days, by January 2021; 3). Workshop delivery at the PF4C training: 5 working days, by Q1 2021.

I. Background

The UNICEF China Country Office (hereinafter “CCO”) is undergoing a process of realignment for the new five year cycle (2021-2025) to be able to better respond to China’s rapid development and increasing domestic and foreign policy aspirations in line with its imminent transition into being the world’s largest economy and an upper income country. A key part of this realignment is a strategic shift from an approach based on “policy demonstration” through service delivery pilots to “upstream policy engagement”, based on high-level policy advocacy, strategic partnerships, and purposeful knowledge sharing and exchange. In order to

successfully influence policy change in favor of children in China, the CCO needs to have a thorough understanding of the country's highly complex Public Financial Management (PFM) systems.

The main reason why understanding of PFM systems is so central to UNICEF's high-policy engagement efforts is that PFM is a key driver of equity. Observed inequalities in outcomes for children can in most cases be traced back to inequities in the allocation of resources across sectors, functions, geographic units, and socioeconomic and demographic groups. Understanding how PFM frameworks could determine what resources are invested in the particular groups of children, and identifying the key catalytic changes to the PFM practices that could result in a more equitable allocation of resources for children ("equity triggers") is the first step to achieving results at scale and improved outcomes across the board for children in China.

The CCO recognizes the unique nature of PFM in China. Like in all countries, PFM encompasses a complex set of legislations, rules, regulations, processes, procedures, and practices through which the government plans, budgets for, executes, monitors, and evaluates public revenues and expenditures. Unlike other countries, PFM in China is uniquely decentralized, with multiple levels of parallel and at times overlapping governance and decision-making structures guiding the allocation of resources to national ministries, agencies, and quasigovernmental entities, as well as to highly autonomous local governments through an intricate inter-governmental transfer system (up to 85 per cent of public expenditure in China is carried out by local governments¹, making China being one of the most decentralized countries in the world).

Against this background, the CCO is procuring the services of a Chinese institution to carry out an equity assessment of China's PFM systems. While the national institution will lead the assignment for China, it will receive technical assistance on the study design and analysis from international recognized experts in the area of PFM and equity assessment, as well as the experience of other countries in the region which have already completed the analysis.

II. Purpose and objectives

The **purpose** of this assignment is to help the UNICEF CCO more effectively engage with the Chinese Government at the upstream policy level to move towards increased, more sustainable, and more equitably distributed public expenditure for children, ensuring that the allocation and use of resources could contribute as much as possible to child development and the realization of children's rights in the country.

The assignment will achieve the purpose by fulfilling the following objectives:

¹ <https://www.imf.org/~media/Files/Publications/WP/2018/wp1888.ashx>

1. **Improved understanding of the expenditure policy cycle and of PFM systems and processes.** The assignment will provide a clear understanding of the public expenditure policy cycle in China and the PFM systems, processes, and practices within which it takes place. This should include a thorough understanding of how budgets are allocated and executed, especially in the social sectors.
2. **Identification of the PFM equity “triggers”.** The assignment will identify the key formal mechanisms (or lack thereof) through which China’s PFM systems aiming at integrating equity considerations, as well as the implicit decisions, practices, rules, procedures, and events, or lack thereof, within each stage of the public expenditure policy cycle that have a known or potential impact on the expenditure equity.
3. **Development of strategies.** Based on the understanding of PFM systems and equity triggers developed under both objectives 1. and 2., the assignment will develop realistic strategies and suggest clear pathways for the CCO to engage as effectively as possible with the relevant stakeholders in China to affect changes to PFM systems, processes, and practices that increase the weight given to equity in general, and with respect to children in particular, in public expenditure decisions.

III. Activities and expected deliverables

In order to achieve the objectives listed above, the Chinese institution will carry out the following activities, each resulting in one or more deliverables:

1. **Co-develop a conceptual and analytical framework with international experts.** Working with international expert (who is with the expertise in the PFM framework development) together, the institution will develop a conceptual framework for analysis rooted in the standard five/six stage policy process as adapted to the budget cycle by the World Bank (1998). The framework should start from a definition of PFM and discuss in-depth how the public expenditure decisions emanating from PFM systems, processes and procedures ultimately impact equity, both directly (through the allocation of public resources) and indirectly (through its impact on economic growth and income distribution).
2. **Carry out a comprehensive review of the PFM systems in China against the conceptual and analytical framework.** Drawing on documental review and interviews with key informants, the institution will provide an in-depth review of the PFM systems in China through the lens of the analytical framework developed in activity 1, highlighting the ways in which China differs from the standard model. The focus of the review will be on whether and how the Chinese PFM systems integrate equity considerations at each stage of its process, ultimately resulting in more or less inequitable allocation and use of resources. The institution will not only illustrate the analysis with examples drawn where possible from the social sectors, but also drawn on analysis of other sectors where needed to illustrate second-order equity impacts.
3. **Build capacity for UN and UNICEF CCO Staff.** Based on its solid experiences in China’s PFM systems, the institution will provide capacity building support

for the UN staff in the area of the PFM related to the social protection in China under the COVID-19 through presentation. And upon the completion of the equity assessment study in the PFM systems, the institution will incorporate the study results into the delivery of the PF4C training for the CCO staff to improve their understandings and future sectoral programming related to PFM.

III. Activities and expected deliverables

The assignment is expected to result in a single deliverable, a report on Equity in PFM systems in China and Pathways to Improvement. However, in preparing the final deliverable the institution is expected to follow a phased approach, with sequential activities resulting in different sections of the report to be submitted as intermediate deliverables as outlined below.

1. **Develop a conceptual framework and analysis plan.** The institution will work with an international expert to jointly develop a conceptual framework for analysis rooted in the standard five/six stage policy process as adapted to the budget cycle by the World Bank (1998) or another widely accepted model. The framework should start from a definition of PFM and discuss in-depth how the public expenditure decisions emanating from PFM systems, processes and procedures ultimately impact equity in a highly decentralized context. On the back of the framework, the institution should develop a methodology and analysis plan (a full list of informants needs to be identified and developed by the consultant and agreed with CCO).

Deliverable 1.1. Conceptual framework.

Deliverable 1.2. Methodology and analysis plan.

2. **Carry out an analytical review.** Drawing on documental review and interviews with key informants, the institution will provide an in-depth review of China's expenditure policy cycle, PFM system, and intergovernmental transfers system, highlighting the ways in which China differs from the standard model outline in activity 1. The review will start from an analysis of the socioeconomic, political economy, and legal and institutional contexts in which these systems operate.

Deliverable 2.1. Analysis of the socioeconomic, political economy, and legal and institutional context of the PFM in China.

Deliverable 2.2. Detailed description and analysis of China's expenditure policy cycle, PFM systems, and intergovernmental transfer system.

3. **Identify and critically assess equity triggers.** The institution will provide a detailed account and analysis of whether and how China's expenditure policy cycle, PFM systems, and intergovernmental transfer system integrate equity considerations. They will identify and explain both the actual and potential equity triggers built in at each stage of the policy cycle, as well as the equity implications of the design features of systems themselves (e.g., the rules for inter-governmental transfers). The analysis of equity triggers

will focus on direct or indirect equity implications for children along all the relevant dimensions (geography, gender, ethnicity, socioeconomic and demographic groups, disability, migratory status, etc.)

Deliverable 3.1. In-depth, child-focused equity analysis of China's expenditure policy cycle, PFM systems, and intergovernmental transfers system.

4. **Develop recommendations for enhancing equity in PFM systems.** Based on this identification of existing or lacking equity triggers, the assignment will provide recommendations on ways to integrate equity in the different stages of the expenditure policy cycle and in the PFM and intergovernmental transfers systems, with practical and relevant examples drawn from international best practices. It will also recommend plausible strategies for the CCO to engage with partners and relevant stakeholders to push equity-enhancing improvements to such systems.

Deliverable 4.1. Policy recommendations for improving equity in the PFM systems in China.

5. **Prepare and deliver the workshops to UNICEF CCO staff.**

1).with regards to the UN Policy Dialogue on Social Protection (Theme: "Social Protection at the Time of COVID 19 and beyond: Building an Inclusive and Sustainable Social Protection System"), the institution will make the presentation on "Sustainable Financing Strategies for Effective Social Protection and Fast Recovery".

Deliverable 5.1. Presentation preparation (PPT, etc)

Deliverable 5.2. Presentation delivery during the Policy Dialogue (tentative: mid of November 2020)

2).Based on the deliverables 1.1, 1.2, 2.1, 2.2, 3.1 and 4.1, the institution will incorporate the study results and make the preparation for the presentations and deliver them during the workshops of the UNICEF CCO Public Finance for Children (PF4C) training in the Q1 2021.

Deliverable 5.3. Presentations (PPTs, case studies, etc)

Deliverable 5.4. Three-day workshop delivery

6. **Prepare and submit other deliverables.** The institution will make available to UNICEF interview scripts, transcripts, templates, spreadsheets, slideshows, Stata do-files or equivalent (SPSS syntax files, SAS, R or Python Scripts), as well as other materials and outputs developed for or arising as a result of working on this assignment.

Deliverable 6.1. Other deliverables.

III. Methodology

This assignment is expected to adopt a mixed approach, with desk-review, interviews and consultations with UNICEF staff, researchers, government partners, and other key individuals used as needed. The consultants are expected to outline their proposed methodology as part of their bid submission, to be discussed and adjusted during the inception phase.

IV. Deliverables and timeframe

An indicative plan for deliverables and timelines is provided in Table 1. The final set of deliverables and the timetable will be discussed with the selected institution prior to contract signature. Failure to agree on a set of deliverables and timetable can result in the offer being rescinded and being offered to the next shortlisted candidate(s).

The consultancy is expected to span 55 working days by the Q1, 2021; of which, with the mandatory completion of the PFM equity assessment study by January 2021. The exact workload in number of days will be determined jointly between UNICEF and the consultants.

Activities	Deliverables	In-country (working days)
0. Inception phase	0.0 Adjusted technical proposal	
1. Develop a conceptual framework and analysis plan.	1.1. Conceptual Framework	5
	1.2. Methodology and analysis plan	5
2. Carry out an analytical review.	2.1. Socioeconomic, political economy, and legal and institutional context of PFM in China.	5
	2.2. Description and analysis of China's expenditure policy cycle, PFM system, and intergovernmental transfers system.	5
3. Identify and critically assess	3.1. In-depth, child-focused equity analysis of China's expenditure policy cycle, PFM systems, and intergovernmental transfers system.	15

equity triggers.		
4. Develop recommendations for enhancing equity in PFM systems.	4.1. Policy recommendations for improving equity in PFM systems in China.	10
5. Prepare and deliver the workshops to UN and UNICEF CCO staff	5.1 Presentation preparation for the UN Policy Dialogue in Social Protection	2
	5.2 Presentation delivery during the UN Policy Dialogue in Social Protection	1
	5.3 Presentation preparation for the PF4C training workshops	4
	5.4 Presentation delivery during the PF4C training workshops	3
6. Prepare other deliverables	6.1. Other deliverables	
Total		55

V. Profile, qualifications, and experience of consultants

This assignment requires a consultancy institutional team (2-3 consultants) with extensive experience in PFM and in Chinese policy-oriented research, combined with a familiarity/presence the Chinese policy environment. The consultancy team is expected to work independently to produce the deliverables outlined above.

Qualifications and Experience

In addition to the thematic expertise above, the consultancy institutional team should have the following qualifications:

For the local team leader of the institution:

- Post-graduate degree in economics, public policy, development economics, international development, or social science;

- 10 years and above of experience in public policy, with particular focus on China's PFM systems. Experience with leading such type of PFM assessments in China, and/or having networks with the stakeholders related to China's PFM systems would be considered an asset;
- Proven familiarity with the Chinese socioeconomic context, China's governance structures, and the current and emerging socioeconomic policy and governance issues and debates in China;
- Native Chinese speaker with working proficiency in English.

VI. Travel, estimated budget, and payment schedule

The consultancy institutional team will be China-based, with a total duration of no more than 55 working days. Economy class travel will be provided.

Payments will be made as follows:

- 30% will be paid upon the submission and acceptance deliverables 1.1 and 1.2, 2.1 and 2.2;
- 30% will be paid upon the submission and acceptance of deliverable 3.1;
- 20% will be paid upon the submission and acceptance of deliverable 4.1;
- 10% will be paid upon the submission of the acceptance of deliverable 5.1, 5.2;
- 10% will be paid upon the submission of the acceptance of deliverable 5.3, the draft work plan of deliverable 5.4, and the acceptance of deliverable 6.1.

VII. Bids for consideration

UNICEF invites bids for consideration against these Terms of Reference from qualified parties. Bids should address all major aspects of the ToR and comprise of both a technical and a budget proposal. UNICEF will consider each element of the bid separately, awarding a 70% weighting (please see annex) and 30% weighting to the technical and financial proposal components respectively.

Technical proposals should cover the following elements:

- A summary of the proposed approach to carrying out this work. This includes a brief outline of the methodology.
- CVs of the consultancy institutional team members and a table responding to the requirements outlined in these TOR.
- Proposed work plan and timeline, including distribution of time and responsibilities.

- Samples of similar work and/or other documental evidence of PFM expertise.

The budget proposal must contain:

- Daily consultancy rate, number of days, and total consultancy fees (daily rate x number of days); Or, lump sum for the total amount.
- An itemized list of all other costs, including travel.

Technical proposals should be a maximum of 5 pages in English (excluding annexed CVs) in 12 font. Interested parties will submit bids by e-mail to chinabid@unicef.org no later than 10:20 am 12 October, 2020. Any requests for clarification prior to bid submission must be sent to the above e-mail address no later than [three full working days before the submission deadline].

ANNEX:

Item	Technical Evaluation Criteria	Max. Points Obtainable
1	Overall Response The understanding of the assignment by the proposer and the alignment of the proposal submitted with the ToR	10
1.1	Completeness of response	5
1.2	Overall concord between RFP requirements and proposal	5
2	Proposed Methodology and Approach	25
2.1	Relevance and quality of proposed methodology	15
2.2	Project timelines and workplan	10
3	Experience and qualifications of firm and key personnel	35
3.1	Company profile (establishment, facilities, personnel, financial capacity)	5
3.2	Range and depth of organizational experience with similar projects	15
3.4	Key personnel: relevant experience and qualifications of the proposed team for the assignment	15
	TOTAL TECHNICAL SCORES	70