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TERMS OF REFERENCE FOR HARMONIZED APPROACH TO CASH TRANSFER (HACT) DESK REVIEW/MACRO ASSESSMENT

Title:	Rwanda HACT Macro assessment (2018-2023)
Category:	Public Financial Management capacity assessment
Duty Station:	Kigali, Rwanda
Type of contract:	Individual or company contract (National)
Expected starting date:	
Duration of assignment:	5 working days (including desk review report submission)
Language required	English

1. BACKGROUND

The United Nations Development System in Rwanda is about to commence implementation of its new 2018-2023 UN Development Assistance Plan (UNDAP) for Rwanda. The UNDAP sets out the UN's priorities and programmes to support the Government of Rwanda and partners in achieving the country's national development objectives.

The United Nations in Rwanda is one of the Country Teams that is implementing the Harmonized Approach to Cash Transfer [HACT]. HACT represents a common operational framework for transferring cash to national Implementing Partners (IPs) and Responsible Parties [RPs], irrespective of whether these partners work with one or multiple United Nation agencies. It serves as a simplified set of procedures for requesting, disbursing, providing assurance, and reporting on funds as a way to effectively manage risks, reduce transaction costs and promote sustainable development in a coordinated manner. The objective of the HACT framework is to support a closer alignment of development aid with national priorities and to strengthen national capacities for management and accountability, with the objective of gradually shifting to use of national systems.

In line with the HACT framework initially released in 2005 by the United Nations Development Group (UNDG) and revised in February 2014, United Nations Country Teams [UNCT] will conduct a macro assessment at the beginning of a new programming cycle to ensure adequate awareness of the public financial management (PFM) environment in which agencies provide cash transfers to IP and RP. The term 'PFM' under the HACT framework is broadly defined to include a range of considerations for operating within the country; it is not limited solely to the financial environment but also includes national procurement capacity, exchange rate volatility, presence of informal/black markets, etc.

The last macro assessment for Rwanda was conducted in 2014. Over the years a number of initiatives have been implemented by various partners to further improve the performance of Public Finance Management (PFM) systems in Rwanda. The present macro assessment is intended to take stock of the current PFM environment, and guide the UN system on the appropriate HACT modalities for the next cycle of the UNDAP.

2. PURPOSE OF HACT MACRO ASSESSMENT

The purpose of the HACT macro assessment is to ensure that the UN system has adequate awareness of the state of the Public Financial Management (PFM) environment of the country to inform decisions relating to UN programmes and projects for the new cycle. The macro assessment will review the Public Finance Management (PFM) systems with the following objectives:

- Determine the risks related to the use of PFM systems for cash transfers within Rwanda by Government IPs as well as other country specific knowledge for nongovernmental IPs;
- Determine whether the Government's Supreme Audit Institution (SAI) - the Office of the Auditor General (OAG), has the capacity to conduct scheduled and special audits of Government IPs.

The accomplishment of these twin objectives will, enable the relevant UN agencies in Rwanda i.e. UNDP, UNICEF, UNFPA, WFP, UN Women and any other agency wishing to use the framework to take appropriate decisions on cash transfer modalities, procedures and assurance activities for their programmes and projects during the current United Nations Development Assistance Plan (UNDAP) 2018-2023.

3. MACRO ASSESSMENT PROCEDURES

The third-party service provider performing the macro assessment collects available PFM assessments to aid in detailing the risks related to the use of PFM systems for cash transfers within the country. This includes considerations regarding the use of the SAI and broader country conditions, such as environmental conditions, legal regulations, judicial environments, exchange rate volatility and the presence of informal/black markets, etc.

Typical sources of PFM assessments are:

World Bank

- Country financial accountability assessments. These vary in format and presentation.
- Public expenditure reviews. These analyse a country's fiscal position, expenditure policies and public expenditure management systems.
- Country procurement assessment reviews. These review public procurement institutions and practices.
- Institutional and governance reviews. These review the quality of accountability, policymaking and service delivery institutions.
- Capacity assessments of heavily indebted poor country PFM. Performed jointly with IMF, this assessment covers some of the same issues as a country financial accountability assessment.

Assessments by other institutions

- Fiscal transparency reviews (IMF). These use the code of good practices on fiscal transparency adopted by IMF in 1998.
- Diagnostic study of accounting and auditing (Asian Development Bank).
- Ex-ante audits of PFM systems (European Commission).
- Assessments by CIDA, DFID, EU, ADB and other agencies.

The preliminary results of the macro assessment are discussed with the agencies implementing the HACT framework, both to provide a summary of the results and to incorporate agency-specific experience and knowledge of the country into the final assessment.

4. DELIVERABLES

The third-party service provider summarizes the findings on the risks related to the use of PFM systems for cash transfers within the country in the macro assessment checklist (provided in **Annex I**) and Risk consideration checklist (provided in **Annex II**). The third-party service provider will produce a quality report of the desk review macro assessment and submit it to the UNDP in the agreed period of time of five (5) days from the date of signature.

5. Qualifications of the Third-Party Service Provider

The third-party service provider should have at least a Masters degree in development studies, social sciences, economics, statistics or other related disciplines, should be experienced in performing assessments similar to a macro assessment and assessing risks related to PFM(Public Financial Management) systems. The service provider should also have financial management experience in CPA certifications and knowledge of the United Nations system and the development sector.

Curriculum vitae (CVs) of all members of the desk review team should be provided. They should include details on engagements carried out by the staff members, including ongoing assignments indicating responsibilities assumed by them, and their qualifications and experience in undertaking similar assessments.

Items to be Provided to the Service Provider before Fieldwork Begins

The agency provides the following documentation before starting fieldwork:

- Summary of primary programme initiatives and IPs in the country;
- Details of macro assessments previously performed in the country; and
- Any other documentation that may help the provider better understand the country context from a United Nations perspective.

The third-party service provider should review the information received before performing the desk review assessment.

Annex 1. Macro Assessment Checklist

General Overview of Macro Assessment

Country being macro assessed	
Agencies utilizing HACT framework in country	

Agency contact person(s)	
Start/end date of macro assessment (dd/mm/yyyy – dd/mm/yyyy)	
Has a macro assessment been performed for this country previously (by any organization)?	
Member(s) of the macro assessment team (Name, designation, section/organization)	
Sources of information used in assessment (title, date published, source, etc.)	

A risk consideration checklist is provided in Annex 2.

Annex 2. Risk consideration checklist

No.	Indicator	Risk Consideration				Indicator risk level	Comment
		High risk	Significant risk	Moderate risk	Low risk		
1	The annual budget contains all significant government expenditures, including relevant donor contributions	No			Yes		
2	Budget and performance	Budget decisions are only nominally debated. Little consideration of previous performance is taken into account when setting future budgets.			Budget decisions are fully debated with assistance from expert committees. Full consideration of previous performance is taken into account when setting future budgets.		
3	Budget execution	Government historically does not execute budgets as planned.	Government historically executes budgets as planned, but there are significant exceptions.	Government historically executes budgets as planned with limited exceptions.	Government historically executes budgets as planned without exceptions.		

4	To what extent are internal controls and financial procedures adhered to?	Procedures are frequently overridden or ignored. Emergency procedures are routinely used.	Procedures are generally followed, but there are significant exceptions. Doubt exists as to whether or not the internal control system can be relied upon.	Procedures are generally followed. While exceptions exist, they are not frequent enough to prevent reliance on the internal control system.	Always.		
5	Bank reconciliations	Many accounts are not reconciled monthly. Reconciliations are	A number of significant accounts are not reconciled	Generally banks are properly reconciled each month.	Performed to a high standard for all bank accounts at least once a month.		

		Risk Consideration					
No.	Indicator	High risk	Significant risk	Moderate risk	Low risk	Indicator risk level	Comment
		often poorly performed.	monthly. Quality is sometimes poor.	Exceptions exist but appropriate follow-up action is taken in all cases.			
6	Transfer of cash resources	Cash transfers from central/regional levels to project	Cash transfers from central/regional levels to project	Cash transfers from central/regional levels to project	Cash transfers from central/regional levels to project take a week or less.		

		level take more than one month.	level take two to four weeks.	level take one to two weeks.			
7	Reporting of cash and asset position to government	Analysis of cash and asset position made to government contains significant omissions.			Full analysis of cash and asset position is made to government.		
8	Financial audit / SAI auditor general <i>*For decentralized governments, consider consolidated audit coverage, if available.</i>	External audit covers less than 80% of central government expenditures.	External audit covers 80% to 90% of central government expenditures	External audit covers 90% of central government expenditures.	External audit covers all central government expenditures.		
9	SAI independence	SAI reports to government agency.			SAI reports to legislature (or equivalent justice system).		

10	Audit standards applied by the SAI	SAI applies national audit standards, which are significantly inconsistent with international standards.		SAI applies national audit standards, which comply with international standards.	SAI applies international audit standard.		
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		Risk Consideration					
No.	Indicator	High risk	Significant risk	Moderate risk	Low risk	Indicator risk level	Comment
11	Follow-up action to audit reports	Points raised by external audit are infrequently followed up.	Points raised by external audit are usually but not always followed up. A significant number of points recur in following years.	Points raised by external audit are always followed up. In a few cases points recur in following years.	Points raised by external audit are always properly followed up. Points generally do not recur in following years.		
12	Country has a national procurement framework	No			Yes		
13	Transparency of audit process	Statutory external audit reports are infrequently published. They are rarely debated in the media, even	Most statutory external audit reports are published. They are sometimes debated in the	All statutory external audit reports are published. They are usually debated in the	All statutory external audit reports are published. They are debated in the media when of public interest.		

		when of public interest.	media when of public interest.	media when of public interest.			
14	Staff qualifications and skills	It is often unclear whether staff have the skills and qualifications necessary to discharge their duties.	In some cases it is unclear whether staff have the skills and qualifications necessary to discharge their duties.	In only some isolated cases it is unclear whether staff have the skills and qualifications necessary to discharge their duties.	It is always clear that all staff have the skills and qualifications necessary to discharge their duties.		
15	Financial systems	Financial systems only capture and report on the most basic financial data, and this is frequently unreliable. System maintenance and	Financial systems only capture and report on the most basic financial data. While there are system maintenance and performance	Financial systems are adequate for most but not all data capture and reporting needs. They are reliable	Financial systems are adequate for data capture and reporting needs. They are reliable and properly maintained.		

		Risk Consideration					
No.	Indicator	High risk	Significant risk	Moderate risk	Low risk	Indicator risk level	Comment

		performance is generally poor.	problems, generally the system is stable.	and properly maintained.			
16	Environmental conditions	Natural disasters or significant events regularly occur that displace citizens and resources.			Natural disasters or significant events that displace citizens and resources rarely or never occur.		
17	Exchange rate volatility	Foreign exchange rates fluctuate significantly on a daily basis.	Foreign exchange rates fluctuate significantly on a weekly or monthly basis.	Foreign exchange rates have remained relatively consistent, with the exception of significant one-off fluctuations.	Foreign exchange rates do not fluctuate significantly.		
18	Existence of a black market	Black market is prevalent and influential in the country.	Black market exists and has significant influence in the country.	Black market exists in the country, but effective actions are being taken to eliminate or limit its influence in the country.	Black market may exist but does not have an influence in the country.		

<p>19</p>	<p><Any other specific items identified by agency></p> <p><i>Examples: Inflation, reliability of statistics bureau, parliamentary control, unemployment rate, transparency of information collection</i></p>						
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