

Government of the People's Republic of Bangladesh



Finance Division, Ministry of Finance

Program Document

**Strengthening Public Financial Management
Program to Enable Service Delivery (SPFMS)**

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Abbreviations and Acronyms

ADP	Annual Development Program
BACS	Budget and Accounting Classification System
BMC	Budget Management Committee
CAD	Commercial Audit Directorate
CIA	Certified Internal Auditor
DDO	Drawing and Disbursing Officer
DLI	Disbursement Linked Indicator
DP	Development Partners
EFT	Electronic Funds transfer
ESSA	Environmental and Social Systems Assessment
FAPAD	Foreign Aided Project Audit Directorate
FD	Finance Division
FMRP	Financial Management Reform Program
FSA	Fiduciary Systems Assessment
GDP	Gross Domestic Product
IA	Internal Audit
IDA	International Development Association
iBAS++	Integrated Budget and Accounting System
IFMIS	Integrated Financial Management Information System
MDA	Ministries, Departments and Agencies
MDG	Millennium Development Goals
MTMF	Medium Term Macro-economic framework
NBR	National Board of Revenue
OBI	Open Budget Index
OC&AG	Office and Comptroller and Auditor General
PAC	Public Accounts Committee
PC	Planning Commission
PECT	Program Execution & Coordination Team
PDO	Program Development Objective
PEFA	Public Expenditure and Financial Accountability
PEMSP	Public Expenditure Management Strengthening Program
PFM	Public Financial Management
PIT	Program Implementation Teams
RIBEC	Reforms in Budgeting and Expenditure Control
SAE	Self-Accounting Entities
SC	Steering Committee
SMART	Specific, Measurable, Appropriate, Realistic, and Timebound
SOE	State Owned Enterprises
SPFMS	Strengthening Public Financial Management Program to Enable Service Delivery
SPEMP	Strengthening Public Expenditure Management Program
ToR	Terms of Reference
TSA	Treasury Single Account

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I. Introduction

1. This Program document is prepared to seek the kind approval of the Honorable Prime Minister of Bangladesh for the new Strengthening PFM Program to Enable Service Delivery (SPFMS). The Program document describes the context, rationale, and objectives of this new government program for strengthening public financial management in Bangladesh. A Public Financial Management (PFM) Action Plan (2018-23) has recently been elaborated to support effective implementation of the Bangladesh PFM Reform Strategy (2016-21). The PFM Action Plan provides the implementation roadmap for priority actions of the PFM Reform Strategy. SPFMS will support the Finance Division (FD) of the Ministry of Finance in implementing eight selected components out of the total of fourteen in the PFM Action Plan which would enable better resource availability for social service delivery. Specifically, SPFMS aims to strengthen Public Financial Management in the areas of revenue and expenditure forecasting, budget process and execution, in-year and year-end financial reporting, internal and external audit, pension management and state owned enterprises (SOE) transparency and accountability.

2. The selection of eight PFM Action Plan components for the Program is driven by several factors. Firstly, they are closely related to the PFM bottlenecks to service delivery such as release of budget and payment processing; secondly, these components are closely interconnected through (a) use of improved fiscal projections for budgeting binds the multiyear perspective with annual allocations and ensures improved budget quality and enhanced social sector allocations, (b) improving integrated Budget and Accounting System (iBAS++) will lead to timely financial reporting and better use of financial information by the budget-holders, (c) improving integrated Budget and Accounting System (iBAS++) also entails automating pensions and other payments through electronic funds transfer (EFT) and online bill submission (d) an effective internal audit and state owned enterprises (SOEs) monitoring process are important for efficient expenditure control, and (e) government debt management and information on SOE debt and contingent liabilities is an integral part of risk analysis for fiscal projections; thirdly, these components are primarily under the control of Finance Division (FD) that will facilitate coherent implementation of the Program; and finally, this block of PFM reforms is unfunded while public investments, procurement, revenue mobilization, and audit are already supported by the World Bank and development partners (DPs).

3. SPFMS will be financed through an International Development Association (IDA) program-for-results (PforR) instrument. SPFMS will be implemented over five fiscal years from 2018 to 2023 and is structured around disbursement linked indicators (DLIs). Each disbursement linked indicators (DLI) will have disbursement linked results (DLRs) highlighted in bold which would need to be achieved for disbursement. The total incremental cost of PFM reforms laid out in the PFM Action Plan exceeds US\$300 million, the total cost of SPFMS is estimated at US\$170 million out of which IDA would finance US\$100 million and Government of Bangladesh would finance US\$70 million.

II. Context and Rationale

4. Bangladesh's economic conditions and poverty reduction have improved in recent years but would require further increase in its growth rate to become a middle-income country by 2021 and eliminate poverty by 2030. Progress on reducing extreme poverty and boosting shared prosperity through human development and employment generation has continued

with the poverty incidence based on the international \$1.90 per capita per day poverty line (measured on the basis of the Purchasing Power Parity exchange rate) declining from 44.2 percent in 1991 to a 13.8 percent in 2016 (latest available poverty data). Bangladesh's performance of the Millennium Development Goals (MDG) was impressive against the South Asia Region average for most of the indicators. Gross Domestic Product (GDP) grew well above the average for developing countries in recent years, averaging 6.5 percent since 2010. Such progress notwithstanding, the pace of poverty reduction and the rate of job creation has slowed since 2010. The headline inflation increased to 5.8 percent in FY18, from 5.4 percent in FY17 which reflects food price increase due to supply shocks. While the fiscal deficit was contained at around 4 percent of GDP in FY17, the FY18 budget targets a 5 percent deficit with 26.2 percent growth in expenditures. The current account balance turned into a deficit equivalent to 0.6 percent of GDP in FY17. Bangladesh needs more effort in improving its growth rate to meet its target of moving up the middle-income rankings by 2021 and eliminating poverty by 2030. To accelerate private sector-led growth with improved investment environment, it is crucial to have increased infrastructure and power, and much improved quality in spending of public resources, better regulations and enhanced skills of its vast and rapidly increasing labor force.

5. Strengthening PFM has been a cornerstone of reforms towards sound macroeconomic management and good governance. A sound PFM system is considered as fundamental to the 7th Five Year Plan objectives to effectively manage public resources. The Public Expenditure Review 2015 (PER) validated the government's then prudent fiscal management - low fiscal deficits of 3.1%¹. PFM improvements were first achieved with support from the Reforms in Budgeting and Expenditure Control (RIBEC) Program, 1992-2001, then Financial Management Reform Program (FMRP 2002-2009), and later under Strengthening Public Expenditure Management Program (SPEMP), 2009-2014 and Public Expenditure Management Strengthening Program (PEMSP), 2014 to date. These reforms improved the approach towards the medium term expenditure framework, improved financial management legislation, strengthened capacity for debt and liabilities management, and developed a fiscal programming framework. A new Budget and Accounting Classification System (BACS) has been introduced from July 1, 2018 and several improvements in the integrated Budget and Accounting System (iBAS++) are underway including the extension to self-accounting entities.

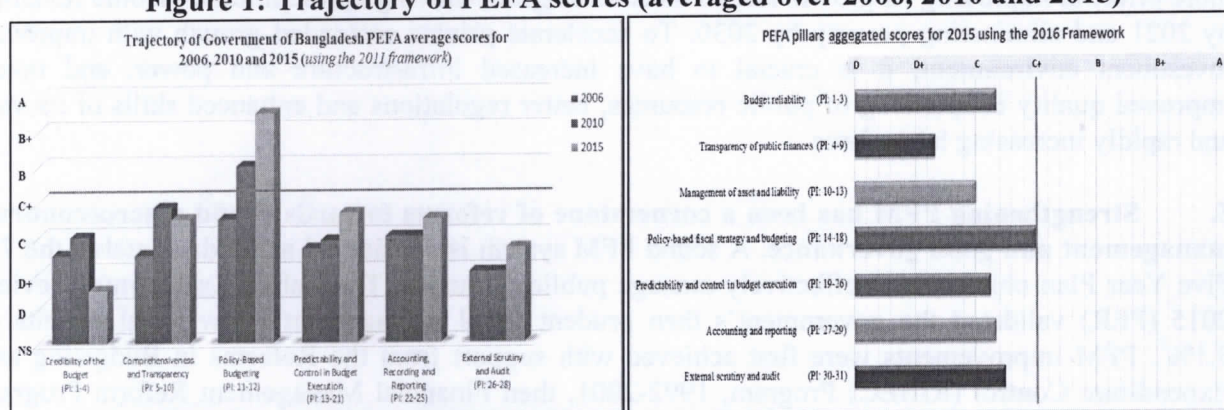
6. After the closure of the SPEMP A in 2014, the government continued to sponsor the iBAS++ development through own-resources provided through a non-Annual Development Program scheme - PEMSP. This has led to several successes including the development of many new functionalities, managing roll-out of budget preparation module to the budget-holder levels, capturing all government expenditure data in iBAS++, and designing and using the new Budget & Accounting Classification System (BACS). In addition, the Public Expenditure Management Strengthening Program (PEMSP) has been closely supporting the Finance Division in the preparation of annual budget each year as well as a database of all government employees, pensioners and an electronic funds transfer system (EFT).

7. Despite the important improvements in PFM, there is significant room to improve several PFM areas which are limiting effective delivery of services to citizens. The Public Expenditure Review (PER) identifies several challenging areas including low tax to GDP ratio (8.5%), limited budget absorption capacity, decreasing quality of the investment portfolio resulting

¹ Bangladesh Public Expenditure Review, page xv

in implementation delays (80% of projects), cost overruns, low return on investment, and increasing debt service costs. The Public Expenditure Review (PER) also raises budget allocation issues such as rapid asset erosion due to lack of maintenance and repairs², limitations in the design and targeting of agriculture subsidies, and low per capita health expenditures. The PEFA framework shows that Bangladesh's overall performance in PFM is below average for six out of seven pillars (Figure 1)³. Individual performance indicators revealed improvements in seven areas, while 14 remained the same and seven deteriorated. The downgrades highlight a weakening of comprehensiveness, transparency, and budget credibility, reflecting the need to strengthen and modernize institutions for budgetary management and financial accountability. These limitations adversely affect the institutional performance and delivery of services to citizens.

Figure 1: Trajectory of PEFA scores (averaged over 2006, 2010 and 2015)



Source: PEFA 2006, 2010 and 2015

8. State Owned Enterprises (SOEs) play a significant role in Bangladesh's economy and the governance of SOEs has considerable effect on fiscal management and service delivery. SOEs do not benefit from the same level of attention and control as institutions and transactions under the scope of the budget. Financial and governance related data on SOEs is fragmented and performance is not monitored effectively. Fiscal risks, debt and contingent liabilities aggregated for all SOEs are unknown. As a result, there is a significant need for fiscal risk monitoring and performance evaluation mechanisms for SOEs through a strengthened SOE Monitoring Cell and SOE Wing in the Finance Division. The World Bank's recent policy note⁴ suggests that there is an opportunity to improve corporate governance of SOEs, including ownership arrangements, financial and fiscal discipline and performance evaluations, building on reforms already initiated by the government.

PFM Reform Strategy, PFM Action Plan and SPFMS

9. In the above mentioned context, the PFM Reform Strategy (2016-21) was approved by the Minister of Finance in August 2016. The PFM Reform Strategy clearly sets out the key goals and objectives of the PFM reforms and identifies the priority reform actions. The strategy was developed by a cross-institutional team from the Ministry of Finance, the OCAG, the Planning Commission, and the National Board of Revenue, among others. It identified the following five goals for PFM reforms:

² The Global Competitiveness Report 2014-15 ranks Bangladesh's overall infrastructure at 130 out of 144 countries.

³ Although the 2016 PEFA framework has tougher benchmarks than the previous one, the data shown in Figure 1 use the 2011 framework so that data from different years can be compared.

⁴ Financial Oversight and Performance of State-Owned Enterprises in Bangladesh. March 2017. World Bank.

- Goal 1: Maintain aggregate fiscal discipline compatible with macro-economic stability and pro-poor growth;
- Goal 2: Allocate resources consistent with Government priorities as reflected in the National Plan;
- Goal 3: Promote the efficient use of public resources and delivery of services through better budget execution;
- Goal 4: Promote accountability through external scrutiny and transparency of the budget; and
- Goal 5: Enhance the enabling environment for improved PFM outcomes.

10. A PFM Action Plan (2018-23) has been approved by the Minister of Finance to support the effective implementation of the PFM Reform. This PFM Action Plan provides the implementation roadmap for selected priority actions with clear institutional responsibilities for 14 reform components. It consists of a PFM Action Matrix which describes the different reform activities, identifies sub-activities, provides the rough cost estimate and the intended benefits, defines the results indicators with baselines and end-of-plan targets, and the appropriate responsible institution. The PFM Action Plan also describes the governance structure for reforms and the change management approach. The PFM Action Plan was developed through a long consultative process with a broad range of stakeholders.

11. The PFM Action Plan aims to address specific high-level PFM problems with an innovative and dynamic approach, allowing for the flexibility needed during the implementation. Successful PFM reforms require both ‘causality’ and ‘discovery’. While the PFM Action Plan matrix is intended to provide a high-level causal logic needed for reforms to maintain the focus and direction to achieve the desired results, the exact pathway or solutions to drive the reform agenda in Bangladesh will require enough flexibility for course-correction. To accommodate this approach, the sub-activities described in the PFM Action Plan will be considered as a guide and will be subject to change as such understanding evolves overtime. At present, it elaborates the current thinking of the program implementation teams on how they can achieve the desired results. For example, the current forecasting model has shortcomings, which limits the accuracy of its analysis to support budget credibility. The PFM Action Plan underscores the need for a dynamic forecasting model and use of reliable data derived from various other systems; however, the detailed methodology to achieve this would be flexible and subject to change during the implementation of the Action Plan. Another example is that the Budget Management Committees (BMCs) are not all institutionalized in accordance with the Terms of Reference (ToR) developed by the FD and have limited capacity for preparation of budgets that are well-aligned with the sector strategy papers, annual performance agreements, and the medium-term strategy and business plans. Accordingly, the result intended in this respect is to improve the performance of the BMCs, but the thinking on how to build their capacity and monitor performance improvements is likely to evolve during implementation.

12. A new SPFMS Program is proposed to support the implementation of a part of the PFM Action Plan with the aim to ensure that PFM improvements enable more and better public service delivery in social sectors. The intention is not to implement PFM reforms for the sake of merely strengthening PFM, but to enable better service delivery to the citizen. SPFMS

includes 8 components in the PFM Action Plan that are directly led by the FD including the macro-fiscal forecasting, debt management, budget preparation and execution, integrated financial management information system (IFMIS), treasury single account (TSA), SOE performance monitoring, pension management, internal and external audit, and financial reporting (see Table 1). The program boundaries are further clarified later in this document. The SPFMS would provide both incentives as well as the technical capacity in a timely and flexible manner to ensure successful implementation of these actions identified by the reform coordination and implementation teams.

Table 1: PFM Action Plan and SPFMS

PFM Action Plan (Components)	Lead Institution	Government PFM reform initiatives and development partner support
C-1 Revenue and Expenditure Forecasting C-3 Debt Management C-4 Planning and Budget Preparation C-7 iBAS++ /BACS Implementation) C-8 Pension Management C-9 SOE Governance C-10 Financial Reporting C-14 PFM Reforms Leadership, Coordination, and Monitoring	Finance Division	- New Strengthening PFM Program to Enable Service Delivery (SPFMS) (\$170m with IDA co-financing) - Complemented by TA under the SPEMP BETF

13. The World Bank would finance the SPFMS through a program-for-results (PforR) instrument which uses DLIs. The program-for-results instrument links disbursement to results identified in agreement between the government and the World Bank. These DLIs have been finalized through several consultation sessions involving a broad range of stakeholders. Please see Annex 1 for the complete SPFMS results framework and DLIs.

Lessons learned from Past PFM Reforms

14. Past PFM reforms illustrate the importance of focusing on a few priority areas, not moving across too many fronts, and providing adequate attention to capacity building. The three key take-aways from past reforms are the following:

- **Moving across many fronts simultaneously may slow-down achievements in Bangladesh’s environment.** To mitigate the risks of not yielding optimal results, SPFMS will be led by FD with coordinating support from counterpart ministries, departments and agencies (MDAs). A change management approach has been incorporated in all eight components to be implemented under SPFMS to enable an environment that is conducive to reform.
- **Not focusing on few priorities left some of the more fundamental PFM reforms incomplete.** FD has selected few priorities of the PFM Action Plan, including the following: revenue and expenditure forecasting, debt management, planning and budget preparation, iBAS++ /BACS implementation, pension management, SOE governance, financial reporting, internal and external audit and PFM Reforms leadership, coordination, and monitoring. These components will be implemented under SPFMS.

- **The technical capacity required for reform in MDAs needs strengthening in order to be sufficient for comprehensive reforms.** The limitations to technical capacity need to be addressed up front. A systematic learning and sharing of good reform practices has been embedded in SPFMS. Priority has been given to building technical capacity using international and domestic training resources.

15. SPFMS has been designed incorporating the lessons learned from pass experience. Firstly, it focuses attention on results which reflect genuine change to the strengthening and functioning of PFM systems developed in the past and making the relevant connections to support service delivery outcomes through better functioning systems. Secondly, it transforms the generalized high-level support for PFM reforms into the specific actions with ownership required to achieve these results. The program will support a framework for monitoring and reporting that would transform the high-level support for PFM reforms into actionable drive and accountability. The government will follow its own procurement and financial management rules to implement the program in a flexible manner.

III. SPFMS Program

Objective and Scope

16. The Program Development Objective (PDO) is to improve fiscal forecasting, budget preparation and execution, financial reporting and transparency to enable better resource availability for service delivery.

PDO Level results indicators

- Use of improved fiscal (incl. debt) projections for budget-making
- Improved budget alignment with government policies and priorities and also with Annual Performance Agreements (APAs) through better performance of BMCs
- Reduced number of days for DDOs to receive budget in selected ministries, departments, and agencies (MDAs)
- Timely, reliable payments of salaries and vendor invoices with strengthened treasury single account and automated payment system
- Budget-holders effectively use financial information for decision-making and transparency

Disbursement Linked Indicators

17. DLIs provide an ideal mechanism to advance these reforms, including incremental and process targets to guide implementation. Based on the SMART (specific, measurable, appropriate, realistic, and timebound) principle, selected indicators will draw from the PFM Action Plan. The DLIs aim to address the bottlenecks along the results chain, including a reasonably even distribution of disbursements. Each DLI will have disbursement-linked results (DLRs) which would need to be achieved for disbursement. Table 2 below provides a complete list of the DLIs with the closest match to the 5 goals of the PFM Reform Strategy.

Table 2: Disbursement Linked Indicators

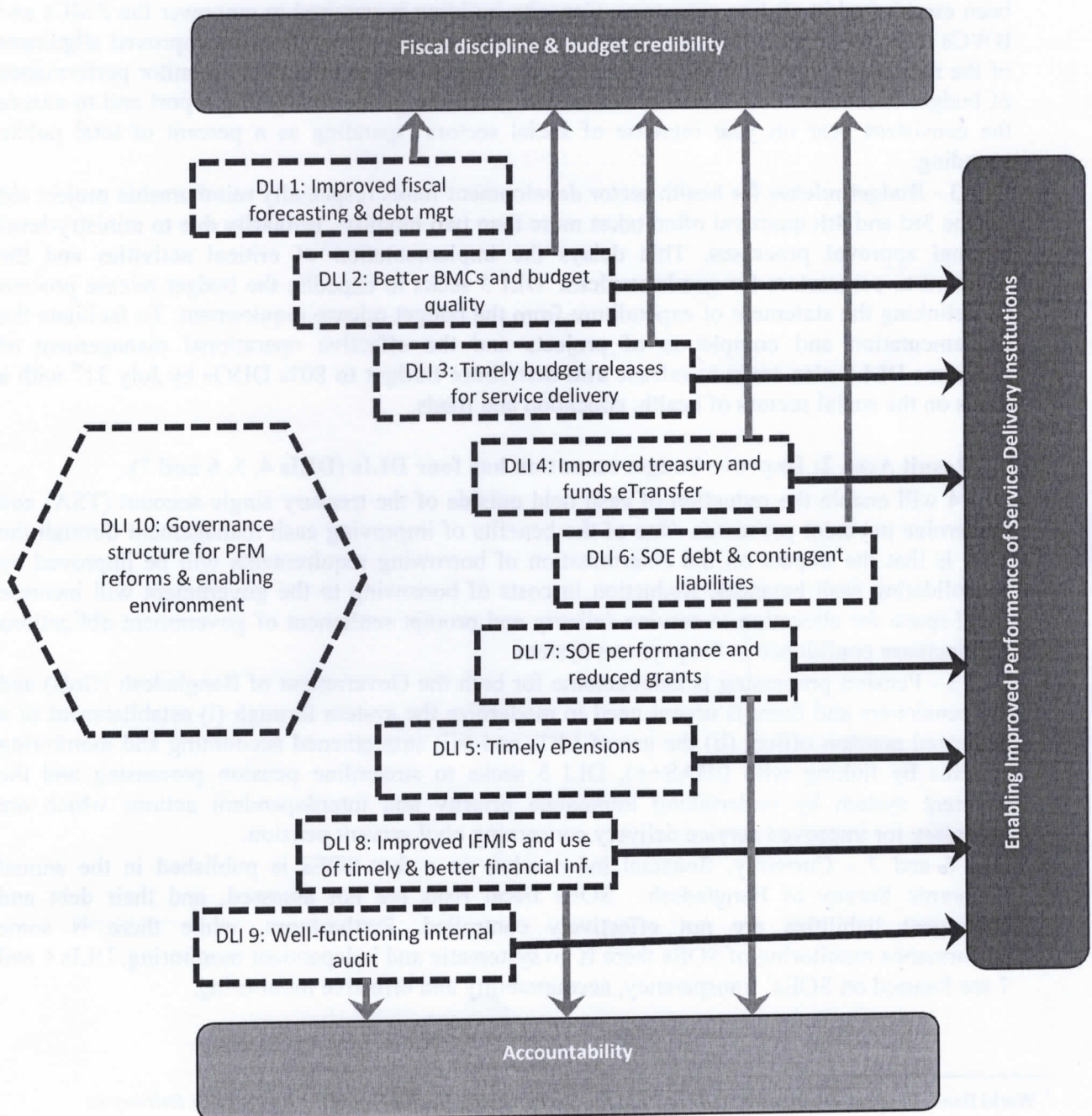
Result Area 1: Improve fiscal forecasting and resource allocation consistent with government priorities for spending in service delivery sectors (Contribution to the PFM Strategy Goal 1 & 2)
DLI 1: Use of improved fiscal projections for budget-making
DLI 2: Improved budget alignment with development strategy and gender, social, and climate considerations through better performance of Budget Management Committees (BMC)
DLI 3: Reduced number of days for DDOs to receive budget in selected MDAs - (education, health, roads, public works & local government)
Result Area 2: Improve budget execution in service delivery MDAs (Contribution to the PFM Strategy Goal 3)
DLI 4: Timely, reliable payments of salaries and vendor invoices with strengthened treasury single account and automated payment system
DLI 5: Improved pension service through the EFT no later than the following pension payment cycle after retirement
DLI 6 – SOE and autonomous bodies fiscal risk assessed, and their debt and contingent liabilities statement prepared and submitted to the policy makers
DLI 7 – Improved performance of the SOE sector and reduced subsidies
Result Area 3: Promote enhanced transparency of the budget execution and enable timely accountability (Contribution to the PFM Strategy Goal 4)
DLI 8: Budget holders in MDAs effectively and transparently use financial information
DLI 9 – Action taken on audit reports in selected MDAs - (education, health, roads, public works, & local government) and procurement post review in FD
Results Area 4: Establish an enabling environment for improved PFM outcomes (Contribution to the PFM Reform Strategy Goal 5)
DLI 10 – PFM program is effectively led through an adequate governance structure and an effective change management approach

18. The theory of change through which SPFMS would contribute towards the achievement of key goals of the PFM Reform Strategy is shown in Figure 2. DLIs are structured to strike an appropriate balance between high-level and intermediate results. Figure 2 below shows that certain reform activities incentivized via DLIs rest at the intersection of achieving more than one of the strategic goals of fiscal discipline & budget credibility, efficient service delivery, and accountability.

- **The Program will make significant contributions for improved fiscal discipline and budget credibility.** Specific reform activities would include improving fiscal forecasting supported by better IFMIS data and data on SOE’s fiscal risks, strengthening the BMCs for budget credibility, ensuring timely budget releases to support improved budget out-turn, and enhancing use of the single treasury account.
- **The Program interventions would contribute to improved financial accountability.** These accountability reforms will include strengthening the monitoring of the performance of SOEs, ensuring the timely submission of central government financial statements for auditing, and strengthening internal audit function and audit committees.
- **The program is aimed to ensure that the improved PFM performance enables more and better public service delivery in social sectors.** While SPFMS would gradually cover all key sectors in Bangladesh, social sectors are prioritized to pilot the PFM improvements. Examples include: (a) improving the functioning of BMCs in the line ministries, (b) reducing the current

time taken for release of budget from departments to frontline service delivery units, (c) using financial information by the budget controlling officers, (d) monitoring performance of SOEs, (e) user groups endorsing the iBAS++ improvement plan, (f) budget-holders submitting payment bills online, (g) connecting iBAS++ with other applications/systems for direct bank transfer to pensioners, (h) launching a portal to push the boundaries for fiscal transparency by disseminating key fiscal datasets (disaggregated revenue/ expenditure and output) in user-friendly accessible formats; and (i) using real-time budget information for decision-making to enhance service delivery.

Figure 2: Program Conceptual Framework



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SPFMS Road Map and Results areas

19. SPFMS is structured around four results areas, contributing to a PFM Strategy goal (s):

Result Area 1: Improve fiscal forecasting and resource allocation consistent with government priorities has three DLIs (DLIs 1, 2 and 3).

- DLI 1 - Currently, static revenue and expenditure estimates restrict effective policy making. Through DLI 1, the Macro Economic Wing will develop a macro-economic model compatible with Bangladesh's country context. The model will be used to inform budget preparation and the medium term macro-economic framework (MTMF).
- DLI 2 - Budget Management Committees (BMCs) and Budget Working Groups (BWGs) have been established in all line ministries. Capacity building is required to empower the BMCs and BWGs to better support their line ministries during budget preparation for improved alignment of the national budget with sector strategies and targets and to effectively monitor performance of budget execution. DLI 2 also seeks to strengthen the gender budgeting report and to ensure the consistent year on year increase of social sectors' spending as a percent of total public spending.
- DLI 3 - Budget release for health sector development funds (especially reimbursable project aid for the 3rd and 4th quarters) often takes more than two months⁵, primarily due to ministry-level internal approval processes. This delays the implementation of critical activities and the payment to contractors for goods/services. DLI 3 seeks to expedite the budget release process by delinking the statement of expenditure from the budget release requirement. To facilitate the implementation and completion of projects and the effective operational management of programs DLI 3 also seeks to release **and distribute budget to 80% DDOs by July 31st** with a focus on the social sectors of health, education and roads.

20. **Result Area 2: Improve budget execution has four DLIs (DLIs 4, 5, 6 and 7).**

- DLI 4 will enable the reduction of cash held outside of the treasury single account (TSA) and modernize payment processes. One of the benefits of improving cash management through the TSA is that the impact on the determination of borrowing requirements will be improved by consolidating cash balances. Reduction in costs of borrowing to the government will increase fiscal space for allocation to service delivery and prompt settlement of government obligations will increase confidence in the payment system.
- DLI 5 - Pension processing is cumbersome for both the Government of Bangladesh (GoB) and the pensioners and there is urgent need to modernize the system through (i) establishment of a dedicated pension office, (ii) the use of EFT, and (iii) strengthened accounting and monitoring systems by linking with (iBAS++), DLI 5 seeks to streamline pension processing and the payment system by undertaking immediate priority and interdependent actions which are necessary for improved service delivery concerning civil servant pension.
- DLI 6 and 7 - Currently, financial information on a few SOEs is published in the annual Economic Survey of Bangladesh. SOEs fiscal risks are not assessed, and their debt and contingent liabilities are not effectively controlled. Furthermore, while there is some performance monitoring of SOEs there is no systematic and independent monitoring. DLIs 6 and 7 are focused on SOEs' transparency, accountability and effective monitoring.

⁵ World Bank. In press. *Diagnostic Study of PFM for Strengthening Health Financing and Service Delivery in Bangladesh*.

21. Result Area 3: Promote enhanced transparency of the budget execution and enable timely accountability has two DLIs (DLIs 8 and 9)

- DLI 8 - There are implementation capacity challenges to support the migration from the old to new BACS for FY18/19. In-year budget execution reports are not readily available to the Drawing and Disbursing Officers (DDOs) to monitor budget execution. It is through the budget process that competing policy objectives are reconciled and implemented in concrete terms⁶. Therefore, timely, accurate and comprehensive in-year budget execution reports are critical for decision making. DLI 8 seeks to further improve iBAS++, to develop priority interfaces with iBAS++ and to enhance its effective use.
- DLI 9 - Internal audit (IA) is currently ad hoc and less structured and the applied standards are not based on International Standards for the Professional Practice in Internal Audit issued by The Institute of Internal Auditors (IIA).
 - Focus is more on pre-audit of documents and transactions for accuracy and compliance;
 - Outputs are dependent upon the skills of specific individuals holding the position as part of the larger organizational unit with no specific professional practices and capabilities established;
 - Funding is approved by management as needed;
 - Enabling infrastructure is absent with no or minimal use of information technology (IT).DLI 9 seeks to establish a modern internal audit function in selected large spending and high-risk departments as part of the suite of internal controls using risk-based audit methods concentrating on systemic issues and providing independent and objective advice to management. DLI 9 also seeks to timely resolve audit observations including those related to procurement.

22. Result Area 4: Establish an enabling environment for improved PFM outcomes (DLI 10)

- DLI 10 will implement an effective change management approach and governance structure for PFM reform implementation. Knowing what needs to be done does not mean that planned activities automatically get implemented, without any challenges along the way or space for course-correction. Getting the change approach right is crucial to success of the public financial management reform agenda in Bangladesh. Change management is a process of helping people to understand the need for change and to motivate them to take actions which result in sustained changes in behavior. Change management needs to be anchored in an effective governance structure, ensuring adequate monitoring and creating the space for learning and course-correction during implementation.

IV. Program Envelope, Duration, and Financing

23. The total incremental cost of PFM reforms laid out in the PFM Action Plan exceeds US\$300 million for the next five years. This includes reform activities led by the National Board of Revenue (NBR) (US\$55mil), Planning Commission (PC) (US\$20mil), Comptroller & Auditor General (US\$10mil), Parliament Secretariat (US\$6.4mil), Cabinet Division (CD) (US\$40.7) and Central Procurement Technical Unit (US\$60mil), in addition to the components led by the FD (US\$110mil). Out of these, US\$115 million is already provided by the World Bank and other development partners.

⁶ Allen and Tommasi (2001), page 15

24. The total cost of SPFMS is estimated at US\$170 million out of which IDA would finance US\$100 million. It will be implemented over five years. The Program incremental cost is estimated to be around US\$110 million (Table 4 below). An additional US\$60 million of recurrent expenses of FD are closely related to the implementation of these reforms taking the total estimated cost to US\$170 million. IDA would finance US\$100 and Government of Bangladesh (GoB) would finance US\$70 million. A detailed cost table is provided in Annex 3.

Table 4: SPFMS Program Expenditures

PFM Reform Action Plan (Components)	Program Cost	%	Responsible Wings
C-1 Revenue and Expenditure Forecasting	4.7	4%	Marco-Economic Wing
C-3 Debt Management	4.4	4%	Treasury and Debt Management Wing
C-4 Planning and Budget Preparation	18.4	17%	Budget Wing
C-7 iBAS++ /BACS Implementation	28.8	26%	iBAS++ Project Unit
C-8 Pension Management	9.8	9%	Controller General Accounts
C-9 SOE Governance	16.4	15%	SOE Monitoring Cell
C-10 Financial Reporting	12.5	11%	Expenditure Management Wing and Controller General Accounts
C-14 PFM Reforms Leadership, Coordination, and Monitoring	15.6	14%	Budget Wing
Incremental cost	110.5	100%	All implementing Wings
Recurrent cost	59.5		
Total	170.0		

* This costing is based on the PFM Action Plan

25. Table 5 below provide the expenditure framework according to the economic budget heads:

Table 5: SPFMS Expenditure Framework

Nature of expense	Economic Code	Program cost %	Total Program cost	Recurrent cost	Incremental cost	Year 1	Year 2	Year 3	Year 4
						(2018-2019)	(2019-2020)	(2020-2021)	(2021-2022)
Wages and salaries	3111	14%	23,156	21,957	1,199	5,343	5,595	5,913	6,306
Administrative expenses	3211	13%	22,742	2,318	20,424	4,671	7,105	6,135	4,831
Training	3231	18%	30,331	7,373	22,958	9,376	8,692	7,951	4,312
Petrol, oil and lubricants	3243	0%	615	514	101	139	184	141	151
Travel and Transfer	3244	1%	2,265	711	1,554	406	844	589	426
Printing and stationery	3255	2%	3,696	2,991	705	886	858	958	994
Professional services	3257	37%	63,394	8,366	55,028	16,441	20,720	16,010	10,223
Repairs and maintenance	3258	5%	8,288	8,288		1,903	1,999	2,119	2,267
Machinery and equipment	4112	8%	13,535	6,997	6,538	4,126	4,310	3,080	2,019
Other fixed assets	4113	1%	2,040		2,040	402	1,238	248	152
Total (Components 1,3,4,7,8,9,10 & 14)		100%	170,061	59,515	110,546	43,692	51,545	43,144	31,679
				35%	65%	26%	30%	25%	19%

* This costing is based on the PFM Action Plan

26. Each component of the Program will be established as a Special Program on the government's budget. This is similar and to an extent an expansion of the ongoing PEMSP. The IDA funds will be disbursed to the government's treasury single account consolidated fund) and the program expenditures will be via government's Special Program.

27. **Special program approval:** The Finance Minister will approve schemes developed under the Program. Schemes will be developed based on DLI Technical Notes and as per approved Scheme guidelines of MoF. Implementation of the approved schemes will be revisited from time to time as per mandate of MoF. The revisions to this Program document can be made with the approval of the Finance Minister.

28. Table 6 provides the indicative disbursement schedule for IDA funding:

Table 6: Bangladesh SPFMS – Disbursement Schedule

No.	Estimate Date	Estimated Amount (\$M)	Disbursement Basis
FY2019			
1.	February 15, 2019	20	<ul style="list-style-type: none"> Advance against DLRs to be met by June 2019 (20% of Credit amount)
FY2020			
2.	August 15, 2019	12	<ul style="list-style-type: none"> Price of FY19 DLRs met netted with February advance Advance against DLRs to be met by June 2020
FY2021			
3.	August 15, 2020	15	<ul style="list-style-type: none"> Price of FY19 DLRs met after August 15, 2019 Price of FY20 DLRs met netted with August 2019 advance Advance against DLRs to be met by June 2021
FY2022			
4.	August 15, 2021	15	<ul style="list-style-type: none"> Price of FY20 DLRs met after August 15, 2020 Price of FY21 DLRs met netted with August 2020 advance Advance against DLRs to be met by June 2022
FY2023			
5.	August 15, 2022	18	<ul style="list-style-type: none"> Price of FY21 DLRs met after August 15, 2021 Price of FY22 DLRs met netted with August 2021 advance Advance against DLRs to be met by June 2023
FY2024			
6.	August 15, 2023	10	<ul style="list-style-type: none"> Price of FY22 DLRs met after August 15, 2022 Price of FY23 DLRs met netted with August 2022 advance
7.	June 30, 2024	10	<ul style="list-style-type: none"> Final settlement based on Program expenditures (The World Bank disbursement cannot be more than Program expenditures)
		100	

V. Institutional and Implementation Arrangements

29. The Program has an adequate governance structure and implementation arrangements. Learning from the experience of PFM reforms in Bangladesh and elsewhere, a sound institutional setup has been devised that leverages the existing structures and capacity. For each DLI, an elaborate technical note describes how to surmount the anticipated challenges through the reform sub-activities. These technical notes are prepared by formally notified teams within the government institutions through an iterative process facilitated by experts. The preparation of the technical notes also validated the political feasibility of the reforms through the tacit knowledge of the participants.

30. The PFM reform program has a two-tier governance structure comprising of a Steering Committee (SC) and a Program Execution and Coordination Team (PECT). The Steering Committee (SC) headed by the Finance Secretary will comprise senior representatives from major spending ministries, Cabinet Division, Office of the Controller General of Accounts, Office of the Comptroller and Auditor General, National Board of Revenue, Economic Relations Division, and Planning Commission. The Steering Committee (SC) will oversee implementation progress, provide policy guidance and ensure an enabling environment for reforms to succeed and be sustained. The FD, through the Program Execution and Coordination Team (PECT), would lead the coordination of the reforms with active support from the line ministries as well as the development partners. Program Execution and Coordination Team (PECT) will consist of 8 members; with 2 members from Cabinet Division, Planning Ministry, National Board of Revenue, Office of the Comptroller and Auditor General (OC&AG), and Parliament Secretariat (by rotation). The PECT will also be responsible for establishing a forum for institutional collaboration (PFM Reform Learning Hub at the Institute of Public Finance) for areas requiring collective action and mutual learning and accountability and for more systematic capturing, sharing and replication of reform lessons.

31. Program implementation structure:

- a. *Steering Committee:* The Steering Committee will be chaired by the Finance Secretary and will provide general strategic oversight and direction to program implementation. The Steering Committee will also monitor the program's implementation.
- b. *Program Execution and Coordination Team (PECT):* The PECT will be anchored at the Budget Wing, FD. The head of Budget Wing-1 will be *ex officio* National Program Director (NPD) and there will be 8 members in the PECT as detailed below. The PECT executives will be appointed through competitive process on market scales, whereas the National Program Director (NPD) will receive 30 percent of basic salary as allowance. NPD will designate one of the PECT executives to perform as the Team Leader under his guidance.
- c. *Program Implementation Teams (PITs):* Within each lead institution for each of the 7 components of the PFM Action Plan (C-14 excluded), FD will nominate a 3-5 member PIT from amongst their staff who are directly involved with the PFM reform activities. There will be a total of 7 PITs. The PIT would be accountable for implementation of the respective reform interventions and achieve the performance targets. PITs will receive 30 percent of their basic salary as allowance.
- d. *Focal Points in Counterpart Institutions:* The lead institutions will identify around 3-5 focal points in their counterpart institutions to ensure a smooth institutional collaboration for the implementation of PFM reform activities under each component. Focal Points will receive 30 percent of their basic salary as allowance.
- e. Consultant (both national & international) will be required to implement the program. Number and salary structure of the consultants will be detailed out in each scheme document.
- f. Support staff required for all components of the program will be recruited through competitive process on market base salary. Salary structure and the number of employee will be detailed out in each of the scheme document.
- g. All extra allowances for NPD, PITs and Focal Points will be borne from the program cost.

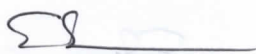
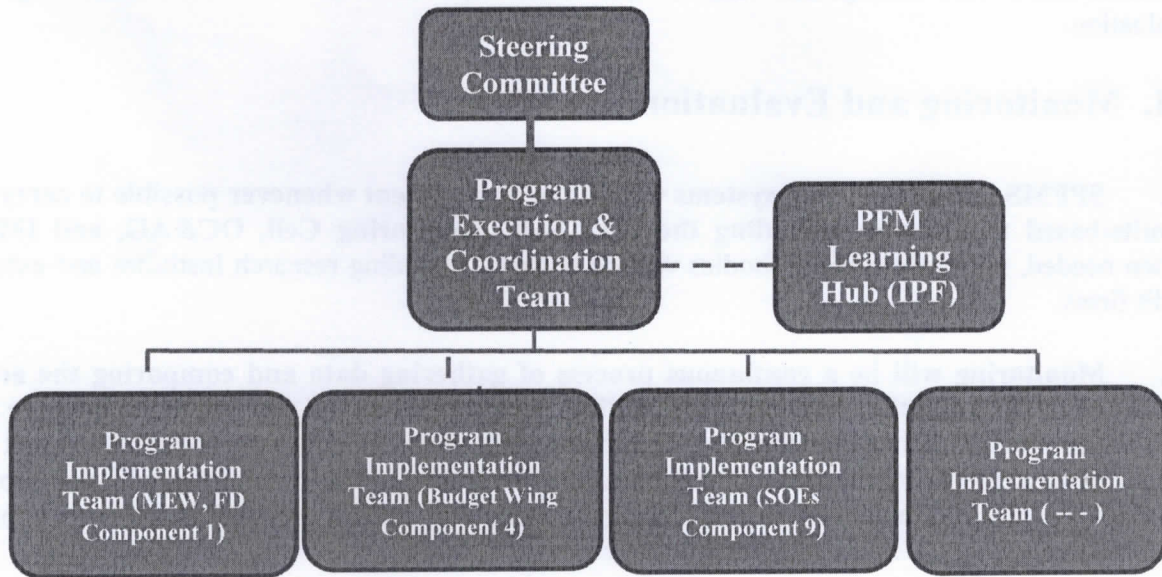


Figure 3: Program Governance Structure



32. PECT will have clear division of responsibilities among its executives to perform specialized duties as follows:

- i. Program Executive and Coordinator (PFM Reforms & Change Management)
- ii. Program Executive and Coordinator (Macro Economics & Debt)
- iii. Program Executive and Coordinator (Budget and Expenditure Control)
- iv. Program Executive and Coordinator (iBAS++ & BACS)
- v. Program Executive and Coordinator (SOE Governance)
- vi. Program Executive and Coordinator (Payments, Pensions & Financial Reporting)
- vii. Program Executive and Coordinator (Revenue Mobilization, Planning & Procurement)
- viii. Program Executive and Coordinator (Accountability & Parliamentary Oversight)

33. SPFMP will use existing formal country systems' structures to ensure that responsibility for meeting the DLIs is within the mandate of the assigned implementing agencies. The attitudinal barriers to achieving the objectives of the PFM reform program will be addressed through behavioral and change management interventions. These will include strategic communication about the reform benefits with the political leadership to solicit commitment and 'buy-in' to better manage resistance; participatory engagement with stakeholders (citizens/beneficiaries/development partners); and recognizing and rewarding agencies and individuals for good PFM performance. This will help provide a conducive authorizing environment for sustaining the deep institutional reforms that require ownership and support by multiple stakeholders.

34. Technical assistance for coordination, capacity development, and M&E have also been built into the implementation arrangements and supported via DLI 10. This will include capacity strengthening of the governance arrangement for PFM reforms and adequate enabling environment, including the establishment of the Program Execution and Coordination Team (PECT) that will function as a secretariat to coordinate implementation and provide technical

oversight of the program. The PECT will be led by a Team Leader who will provide technical guidance and overall management and will also include specialists in the areas of monitoring and evaluation.

VI. Monitoring and Evaluation

35. SPFMS will use existing systems within the government whenever possible to carry out results-based monitoring, including the FD's SOE Monitoring Cell, OC&AG, and IMED. When needed, non-governmental bodies will be engaged including research institutes and external audit firms.

36. Monitoring will be a continuous process of gathering data and comparing the actual results of DLRs and other key indicators with expected results. The goal will be to measure how well the program is being implemented, and to ascertain when specific targets have been met that trigger disbursements by the Bank operation to the government. The monitoring will also provide feedback on progress achieved so that decision-makers can make necessary changes to improve performance.

37. The PECT will support this monitoring effort by, inter alia, developing and managing quality and timeliness standards for reporting, including data quality, accuracy and reliability, supporting capacity development when needed to ensure that these standards are met. The PECT will assess the work of facilitators and suggest improvements, identify with each program implementation team and with the leadership facilitators supporting those teams, the political economy related bottlenecks during implementation and how they might be addressed. The PECT will also take the lead in preparing semi-annual, consolidated progress reports on the PFM program submitted to the Steering Committee, with a brief summary made available to the public. For aspects of the PFM reform program not supported by the World Bank operation, the PECT will provide support when requested to develop progress and performance indicators for each (activity) cluster, in consultation with each program implementation team.

38. An independent evaluation of SPFMS will be carried out in the second year of the Program. The evaluation will assess, inter alia, whether the targets and expected outcomes are still relevant, how effectively and efficiently they are being achieved, what unanticipated effects are evident, and whether the program represents the most sustainable and cost-effective means for achieving the intended outcomes. It will also look at the continuing relevance of the program's theory of change, including the extent to which the performance-based allocations and capacity development supported by the program is helping to successfully drive the reforms.

VII. Role of the Development Partners

39. The PFM Action Plan was developed under the leadership of the Finance Division in close collaboration with development partners (DPs): The Government of Canada and the United Kingdom, European Union, and the Japan International Cooperation Agency (JICA). This included DPs' provision of time, comments on the PFM Action Plan and contributions on specific analytical inputs, as well as financing for engagement of technical and secretarial assistance through the SPEMP multi-donor trust fund. DPs will continue to support the technical assistance required for SPFMS success.

VIII. Summary of Economic, Social, Fiduciary and Environmental Assessments

Economic Justification of SPFMS

40. **The economic and social rationale for this Program is compelling.** While an accurate estimation is hard, the Program is expected to add more than US\$1 billion in economic gains for an overall program cost of US\$170 million which more than justifies the public investment. This estimation is based on the benefits attained in other countries where similar complex PFM reforms have taken place and similar benefits are expected in Bangladesh:

- The reform program is likely to improve the quality of the medium-term budget framework (MTBF) and this in turn will lead to more efficient allocation of resources. The budget implementation rate for Bangladesh has been falling consistently in comparison to increasing size of budget allocation. Experts have repeatedly pointed out that poor revenue mobilization against the projection makes implementation of the budgetary measures difficult. The failure to keep up with reality in the short run makes the implementation of multi-year plans and strategies even more difficult. The implementation of the program will help the FD to make a realistic projection of macroeconomic variables. It is expected that a more realistic projection of expenditure and revenue will ultimately lead to improvement of the budget implementation rate, which fluctuated between 79-85 percent⁷ in the FY 2013-14 to 2016-17. In terms of revenue collection and expenditure, only 81 percent and 79 percent were materialized respectively in FY 2016-17⁸. Debt analysis and publication of debt bulletin will enhance debt management capacity of the government, which in turn will strengthen the overall fiscal situation and free up public funds that can be used efficiently in other sectors. It is expected that the fiscal space that the government will gain through the implementation of the program will have a multiplier effect throughout the economy for several years in the future.
- A more realistic budget announcement will help different public and private sector stakeholders to plan more efficiently, leading to further economic gains. Timely and predictable budget releases speed up the completion time for capital investments and improve the infrastructure utilization through timely payment of recurrent costs; these reforms, in turn, help projects deliver economic benefits faster and more reliably, thus improving value added as measured by net present value. The program will establish a monitoring mechanism in this regard which will reduce time and costs associated with the process.
- The program is likely to have a significant effect on the SOEs, which remains an important part of the economy of Bangladesh. Estimated net profit for SOEs was BDT 66.4 billion (around USD 800 million) in FY2016-17⁹, many of them are not profitable and dependent on subsidy from the government. In FY 2015-16, subsidies to 11 SOEs amounted to BDT 17 billion (around USD 204 million)¹⁰. The stock of debt service liabilities against 112 SOEs stood at BDT 2,031 billion (around USD 24 billion) in FY 2015-16 and energy-sector SOEs have been the main beneficiaries of government guarantees. Losses in the energy sector alone are estimated at Tk. 51.4 billion (around USD 620 million) in FY 2015-2016. Data from the Bangladesh Bank shows a total of 10 banks, including seven state owned banks faced a capital

⁷ Budget in Brief, 2013-2014 to 2016-2017

⁸ Budget in Brief, 2016 and 2017

⁹ Bangladesh Economic Review 2017, Chapter 9, page 135

¹⁰ Data collected by World Bank

shortfall of Tk.233.6 billion (USD 2.8 billion)¹¹ at the end of March 2018. Fiscal risk assessment and the preparation of debt and contingent liabilities statement will improve the overall management of these SOEs. This will lead to economic benefits from two directions: it will increase the profitability of the SOEs and the government will need to provide lesser subsidies. These will again free up public funds that can be spent in productive sectors. A 10 percent increase in overall profitability of the SOEs due to loss prevention can free up USD 160 million in a single year.

- Using human resource management systems and EFT for payroll and pension payments will improve the incentive structure, encourage public officials to work harder and deliver greater economic benefits. These systems have already removed 100,000 ghost pensioners. Using EFT for paying vendor invoices can lead to more timely and reliable payment, and potentially enable vendors to offer lower bids for future government contracts. Online bill submission will make the payment process more reliable and transparent, leading to higher market confidence.
- The use of online bill submission and EFT will significantly reduce the use of paper and back and forth transportation of DDOs to the account's office and contractors to DDOs and their banks, respectively. Given the present number of DDOs (around 36,000), this will amount to significant cost savings. Taking into consideration the cost of paper, logistics and travel that is spent currently for DDOs to execute their budget, these reforms can save at least USD 5-7 million in the long run.
- Strengthened TSA will save bank fees, commissions, and interest charges by consolidating all government cash in a single account.
- The program would support the growth of key social sector spending areas like health and education as a percentage of the total public-sector spending. Spending in these areas as a percentage of GDP is very low for Bangladesh compared to other developing countries. The positive effect of health and education improvements on GDP growth is well established in the literature and the reform program is likely to play an important role in this regard. A 0.4 percent increase in social infrastructure spending means an additional USD 240¹² million in this sector (based on FY18 budget allocation) over four years after the end of the Program. This can have multiplier effect over the long run.
- Improved transparency in public finance increases the confidence of citizens that they can expect that public resources are used to improve services, and thus improve their willingness to pay taxes. Tax to GDP ratio for Bangladesh is one of the lowest in the region and has the scope to improve significantly.
- Expansion and improvements of iBAS++ will strengthen controls that can better support the audit process to uncover financial irregularities and enable improved expenditure management going forward.
- Well-functioning audit committees both help to resolve pending audit observations leading to significant fund recoveries, and they also provide useful feedback to auditors to improve audit

¹¹ The banks are: Bangladesh Krishi Bank, Sonali, BASIC, Rupali, Janata, Agrani, Rajshahi Krishi Unnayan Bank, Bangladesh Commerce Bank, ICB Islamic Bank and Farmers Bank

¹²

Social Infrastructure projection (as per Table 6 in Budget Speech 2018-19)	
Percentage increase	0.4%
FY18-19 Budget (Taka billion)	1270
For one year (USD million)	60
For four years (USD million)	241

quality. Improved audit quality and follow-up is expected to reduce the prevalence of costly, inappropriate behavior, and to incentivize more efficient and effective spending that delivers greater value for money.

Technical Aspect

41. The Program is strategically relevant and technically sound for the following reasons:

(i) it is directly aligned with the Bangladesh PFM Reform Strategy and PFM Action Plan; (ii) it builds on previous PFM reform efforts and is selective by focusing on the sub-set of critical foundational reforms that are directly under the control of FD; and (iii) it considers the implementation capacity and adaptive behavioral change management needs for the reforms to be successful.

42. The PFM Action Plan provides a robust evidence base and operational framework to advance key PFM reform priorities for strengthening PFM institutions and systems. The PFM Action Plan was formulated to operationalize Government's PFM Reform Strategy, and both build on the lessons learned from the long reform history in the country. The Action Plan was produced through a consultative process led by the FD, involving other PFM institutions and DPs. The development of the PFM Action Plan also benefited from the knowledge exchanges with other countries.

43. Within the boundaries of the PFM Action Plan, the SPFMS focuses on key priority activities led by the FD itself and aims to scale-up already tested interventions. Both the Program interventions and DLIs focus heavily on the aforementioned PFM challenges. As shown in Figure 2, these include interventions to support improvements in both process and service delivery. Many of these interventions have been piloted and proven successful with a promise for progressive scale-up, such as expansion of the iBAS++ and use of EFT.

Expenditure Analysis and Fiduciary Aspect

44. The SPFMS will only support ten expenditure items. Professional services and training together represent 44 percent of the program cost estimate. In addition, around 11 percent will be spent on systems development, programming, data entry, and training for iBAS++ enhancements. iBAS++ is an in-house developed (Bespoke) software. The other cost items are: wages and salaries 14 per cent; administrative expenses 13 per cent (including rent of program office); machinery and equipment 8 percent; and the rest includes software development, survey and study, repair and maintenance, travel, printing, and fuel and oil. Consulting services under the Program include identifying software for macro-economic model, data transfer from existing macro-economic forecasting model, assessing fiscal risk and contingent liabilities, creation of debt data base, and carrying out sustainability analysis for debts. There are no new civil works contract under SPFMS.

45. A fiduciary system assessment has been carried out. The fiduciary and anticorruption systems for relevant program expenditures was assessed for the Budget Wing; Expenditure Management Wing, Macro-economic Wing, SOE Monitoring Cell and SOE Wing and the Treasury and Debt Management Wing of FD. Lessons were considered from the recently carried out Fiduciary Systems Assessments (FSAs) by the World Bank for PforR operations such as transforming secondary education for results program (P160943), and the recently completed Bangladesh PEFA 2015.

46. The legal and regulatory framework for the proposed Program's fiduciary systems appears to be comprehensive. The Constitution of Bangladesh (Articles 81-92) lays down the legal framework of the basic financial procedures to be followed in managing public finance. The Public Money and Budget Management (PM&BM) Act, 2009 further elaborates these procedures and brings specificity in certain areas by defining core PFM elements. In addition, there are financial rules (General Financial Rules (GFR), Treasury Rules (TR), Subsidiary Rules (SR)), Account Codes, manuals (Public Expenditure Management Manual and Internal Control Manual), and executive orders to guide the operation of a PFM system. Specific procedures for formulation and approval of development projects are issued by the Planning Commission. The Rules of Business (2012, amended in 2014) issued by the Cabinet Division specify how the Government transacts its business and the allocation of business made there determine the functions of each ministry/division. The PFM legal and regulatory framework is in line with international principles and standards for public procurement and financial management.

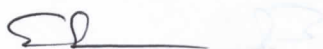
47. The normal government budgeting process will determine the SPFMS' fund allocations and expenditures. Program funds will be directly disbursed to the government's treasury account upon achievement and verification of results. The CGA will be responsible for maintaining the SPFMS' accounts and reporting through iBAS++. The new BACS is robust to capture and report on the Program. Together with the new integrated budget preparation and execution modules and functionalities of iBAS++, the planning and budget preparation process promotes better linkage between policy formulation, planning and budget allocation to enhance service delivery in a transparent and accountable manner.

48. The Chief Accounts Officer (CAO), FD currently uses the iBAS++ for payment processing, accounting and limited reporting purposes. To improve budget management of the Program and monitor progress to take corrective action, the format for budget execution reports would be improved to disclose spending against approved and released budget disaggregated (sliced/diced) department-wise, scheme-wise, sector/sub-sector-wise, and fund-wise. Other BACS elements will be supplemented with output data for release to decision makers, service delivery managers and publication in user-friendly format. The OC&AG will carry out the Program audits. The Foreign Aided Project Audit Directorate (FAPAD), under C&AG, will coordinate with the Commercial Audit Directorate or any other relevant directorate to complete audit of the Program's expenditure.

Environmental and Social Systems Aspect

49. The Program does not pose any environmental risk since all the activities of the program are aimed at strengthening the PFM program to enable service delivery. There is no new physical facilities construction, civil works or any activities that can pose any environmental risk.

50. DL12 is aimed at improving budget alignment with development strategy and gender, social, and climate considerations through better performance of Budget Management Committees (BMC). This indicates that there will be an increased focus on allocating funds to climate sustainable projects and the capacity of BMCs will be increased to better screen such projects. This would encourage the inclusion of climate sustainability concepts while submitting proposals for projects as added emphasis is assigned in the screening process.



Social risks and opportunities of the Program

51. The Program does not pose any social risk since all the activities of the program are at the macro level and aim at strengthening the PFM program to enable service delivery. Thus, all citizens of the country including women, children, elderly citizens, indigenous people vulnerable groups, disabled and the poor at large will directly benefit from the program.

52. DLI 1, 2, 3 and 8 would help improve the efficiency of the present PFM system at the Macro level with its positive effect felt at the micro level. As such, these would directly and indirectly benefit all including women, children, the elderly, indigenous people, vulnerable groups and indigenous people.

53. DLI 4 would go a long way in directly benefitting all government employees including the vulnerable, poor, disabled, women, and the elderly. Government employees from the indigenous community who draw their salary from the revenue fund will also be included amongst the beneficiaries. Presently the system is manual, some clerical staff have to prepare the salary demand in a paper bill format on a monthly basis and the process is slow and cumbersome. FD has undertaken an EFT system whereby government employees have to verify their accounts digitally and their salaries will automatically be sent to their bank accounts without any delay.

54. DLI 5 focuses on improved pension service through the EFT no later than the following pension payment cycle after retirement. There would be an electronic/digital verification of the pensioner and the money will be transferred to his/her bank account through EFT. Gradually, it will be rolled out to all pensioners. Thus DLI 5 would most directly benefit women, the elderly, disabled, through improved pension service.

55. DLI 5 is supported by evolving use of electronic and mobile payments. It is pertinent to note here that mobile telephone and internet accessibility by the citizens has improved over the years and according to Bangladesh Telecommunication Regulatory Commission some 152.527 million mobile telephone subscribers are noted in July 2018¹³. During the same time Internet subscribers have reached to 88.687 million¹⁴. These large numbers indicate that ordinary people, particularly the retirees and people under the 'social safety net' program' including indigenous people, vulnerable groups, elderly and women would immensely benefit from receiving pensions through their bank account or through using mobile money transfer apps such as BIKASH, ROCKET and other MFS (mobile financial service) near their abode. This would in turn reduce the use of paper, thus improving the environment.

56. DLI 10 is aimed at developing the skills of the persons employed for PFM reform implementation and monitoring at the FD and counterpart ministries. Enhanced workforce skills would have a positive effect on the overall PFM program. Thus, all including women, children, elderly citizens, indigenous people vulnerable groups, disabled and the poor at large would indirectly benefit from DLI 10. In addition, DLI 10 would also provide post-graduation courses/certifications to 100+ staff and the Program would track them by gender to promote women participants.

57. The FD prepares the gender budget and child budget that would be further improved

¹³ <http://www.btrc.gov.bd/telco/mobile>; accessed on 17 September 2018

¹⁴ <http://www.btrc.gov.bd/telco/internet>; accessed on 17 September 2018

under the Program. FD will also incorporate 'gender analysis' to identify relevant gaps between women and men. FD will arrange participation of a mix of staffs (men and women) at the organizational level and promote the same with line ministries when they are selected to work/undergo training with FD. The same staffs could be utilized in executing the program. This way FD can identify relevant gaps between men and women at the execution level. Beneficiaries of DLI 4 and 5 include men and women who are beneficiaries of the social safety net.

Citizen engagement

58. Citizen engagement and access to information is a key precondition in improving accountability. The Right to Information (RTI) Act, 2009 provides an adequate legal basis for pursuing information and data sharing. The RTI together with the Public Money and Budget Management Act, 2009 encourages government bodies to proactively disclose financial data in the interest of promoting transparency and accountability by complying with the specific transparency requirements. Since 2015, the availability of budget information to the public has decreased with in-year budget reports and audit reports not published in a timely manner, and pre-budget statement and Citizens Budget not available. Access to timely and reliable information will be critical in promoting development and citizen participation in governance.

59. The Program will support the preparation and testing of a prototype of the Citizen Budget. A Citizen's Budget is a simpler and less technical version of the government's Executive's Budget Proposal or Enacted Budget, designed to convey key information to the public. For this purpose, the Budget in Brief can be built on and improved with info graphics and citizen friendly terminologies to start publishing a Citizens Budget. The Program will also support publishing the quarterly budget execution reports.

60. The Program design has a special emphasis on the outreach activities and engagement with beneficiaries and citizens. Specifically, in DLI 10, a DLR about PFM field inspections aims to reach out to officials, beneficiaries and general public to understand how PFM-related bottlenecks are affecting the efficiency and effectiveness of the services being delivered at the last mile. This would enable those teams to remove those bottlenecks from the service delivery chain as part of the PFM reform process under this program.

Climate co-benefit

61. Bangladesh is one of the most climate vulnerable countries in the world. The country's emissions are less than 0.35% of global emissions¹⁵. The economic losses due to climate change over the past 40 years were estimated at US\$12 billion.¹⁶ Consequently, the government developed the Bangladesh Climate Change Strategy and Action Plan (BCCSAP). The government has also developed a plan for Intended Nationally Determined Contributions which details the targets for reducing Green House Gas (GHG) emissions by 5% from business as usual levels with domestic resources and up to 15% from business as usual with international support by 2030. The country's mitigation contribution covers the power, transportation and energy sectors. The Program will ensure the tracking of these pro-climate expenditures and continued alignment of public spending with pro-climate considerations by improving the performance of BMCs as part of DLI 2. Where applicable, the BMCs will ensure that budget programs set out and reflect policy

¹⁵ Bangladesh's Intended Nationally Determined Contributions, page 2

¹⁶ Nationally Determined Contribution of Bangladesh Implementation Roadmap, page 1

goals in full compliance with the strategic goals of achieving gender equality, climate change and citizens' participation set out in the 7th five-year plan, cross-cutting and sectoral strategies, clearly identifying the respective performance indicators.

Annexes

Annex 1: Disbursement Linked Indicators matrix

Annex 2: Detailed cost tables

Annex 3: Roles of responsibilities of PECT, sector ministries, and PFM institutions



Annex 1: Results Framework and Disbursement Linked Indicators Matrix

Results Indicators/Disbursement-linked indicators (DLIs) are being finalized at this point in time for inclusion into the Program.

The Program Development Objective (PDO) is to improve fiscal forecasting, budget preparation and execution, financial reporting and transparency to enable better resource availability for service delivery.										
PDO-level results indicators (highlighted)	DLI	Unit of measure	Target values (DLRs highlighted)				Data source/ Scalability	Responsibility for data collection	Data Validation Agency	
			Baseline	FY19	FY20	FY21				FY22 ¹⁷
Result Area 1: Improve fiscal forecasting and resource allocation consistent with Government priorities for spending in service delivery sectors (Contribution to the PFM Strategy Goal 1 & 2)										
DLI 1: Use of improved fiscal projections for budget-making	DLI-1	Yes/No ¹⁸ (\$10mil)	Static revenue and expenditure estimates restrict effective policy making	- Marco Economic model requirements finalized (\$2mil)	- Application for the model procured and configured with data prepared (\$2mil) - Updated medium term debt strategy (incl. Debt Bulletin & DSA) (\$2 mil)	- Macro Economic model completed with updated databases (\$2mil)	- Upgraded Macro Economic model used for MTMF, budget preparation (\$2mil)	- Documentation of the dynamic macro model - Reports produced by the model - Annual budget brief submitted to the Budget Monitoring and Resource Committee [Scalability: Annual debt bulletin (\$0.5mil), Debt Sustainability Analysis (\$0.5mil) and updated Debt Strategy (\$1mil)]	Macroeconomic Wing, Treasury & Debt Management Wing Finance Division	Third Party Validation

¹⁷ FY23 will be the last year of the program and will cater to all slippages in achievement of results and related disbursements.

¹⁸ Breakdown giving in the data source, scalability column.

<p>DLI 4: Timely, reliable payments of salaries and vendor invoices with strengthened treasury single account and automated payment system</p>	<p>DLI-4</p>	<p>Percentage Yes/No (\$9mil)</p>	<p>EFT used for officers' salaries only No online bills submission</p>	<p>- Stock-take of special accounts and EBFs and EBCCG outside TSA completed (\$2mil) - Policies and procedures devised to mainstream special accounts and other EBFs into TSA</p>	<p>- Number of new (outside TSA) special accounts opened annually reduced by 20% - At least 50% government payment transactions are made through EFT (\$3mil) - At least 20% DDOs submit all bills online</p>	<p>- Number of new (outside TSA) special accounts opened annually reduced by 35% - At least 60% government payment transactions are made through EFT - At least 40% DDOs submit all bills online (\$2mil)</p>	<p>- Number of new (outside TSA) special accounts opened annually reduced by 50% (\$2mil) - At least 70% government payment transactions are made through EFT - At least 60% DDOs submit all bills online</p>	<p>- Data to be collected on the new special accounts and EBFs - iBAS process/log data on use of EFTs and online bills submission</p>	<p>iBAS project office, Budget Wing, Finance Division Expenditure Control Wing, and Treasury and Debt Management Wing, Finance Division</p>	<p>OCAG</p>
<p>DLI 5: Improved pension service through the EFT no later than the following pension payment cycle after retirement</p>	<p>DLI-5</p>	<p>Percentage Yes/No (\$10mil)</p>	<p>Long process often results in a significant delay after retirement to prepare a Pension Payment Order All pension and GP fund records are manual and prone to human errors</p>	<p>- GP Fund module (\$1.5mil) and Pension Service module of iBAS++ implemented (\$1.5mil) - Central Pension Office established - Streamlining Central Pension Processing System interfacing with iBAS++</p>	<p>- Govt-wide annual GPF and Pension report produced - Action plan agreed with line ministries based on stock take delayed pension cases and to adopt new pension procedures - Centralized pension roll with EFT enabled (\$2mil)</p>	<p>- Govt-wide annual GPF and Pension Service report produced - (\$1mil) - 50% reduction in the delayed pension cases (\$2mil) - Govt-wide centralized monthly pension roll with EFT implemented</p>	<p>- 90% of new pensioners paid through EFT no later than the following pension payment cycle after retirement (\$2mil)</p>	<p>- GP Fund reports from iBAS++ - Action plan for delayed pension cases - Centralized monthly pension roll - iBAS wing of FD, - Regulations wing of FD - Budget wing - MDA and - Banks</p>	<p>Controller General of Accounts</p>	<p>OCAG</p>

ES

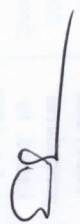
DLI 6 – SOE and autonomous bodies fiscal risk assessed, and their debt and contingent liabilities statement prepared and submitted to the policy makers	DLI-6	Percentage Yes/No Number (\$7mil)	<ul style="list-style-type: none"> - SOE debt and contingent liabilities are not effectively controlled - Partial data of SOEs profitability published in the annual Economic Survey of Bangladesh - Fiscal risks assessments have not been conducted 	<ul style="list-style-type: none"> - Policy and procedures issued to regulate SOEs debt and contingent liabilities (including upgraded financial reporting framework to FD for SOEs) (\$2mi) 	<ul style="list-style-type: none"> - SOE database developed with financial and non-financial information - 100 SOEs and autonomous bodies publish their audited financial statements (\$2mil) 	<ul style="list-style-type: none"> -SOE debt and contingent liabilities statement prepared for all SOEs (\$3mil) - Fiscal risk assessments conducted for at least 10 SOEs 	<ul style="list-style-type: none"> -Comprehensive SOE debt and contingent liabilities statement submitted to the policy makers - 240 SOEs publish their audited financial statements 	<ul style="list-style-type: none"> - Policy & procedures for SOE debt and contingent liabilities [Scalability: \$1mil on the circular drafted, and \$1mil on issuance] - SOE debt and contingent liabilities statement - Published audited financial statements of SOEs -Fiscal risk assessments 	SOE Monitoring Cell, SOE Wing, Finance Division	External firm
DLI 7 – Improved performance of the SOE sector and reduced subsidies	DLI-7	Percentage Yes/No (see column 9) Number (\$11mil)	<ul style="list-style-type: none"> - SOEs are not classified as commercial and non-commercial - There is some performance monitoring of SOEs, but not systematic and independent - Grants to SOEs are not divided into different categories - Partial data of SOEs profitability published in the annual Economic Survey of Bangladesh 	<ul style="list-style-type: none"> - SOE performance evaluation guidelines developed with clear scoring criteria (\$2mil) - Adopt a policy and procedures manual that enable an effective review of grants to SOEs (\$2mil)²⁰ 	<ul style="list-style-type: none"> - At least 10 SOEs subjected to an independent performance evaluation (\$2mil) 	<ul style="list-style-type: none"> -At least 5 better performing or most improved SOEs rewarded -Turnaround strategies for at least 10 non-performing SOEs (\$2mil) 	<ul style="list-style-type: none"> - At least 50 SOEs subjected to an independent performance evaluation - The ratio of SOE transfers to total public spending reduced by 15% (\$3mil) 	<ul style="list-style-type: none"> - SOE performance evaluation guidelines - SOE Grants Policy & Procedures Manual/Circular [Scalability: \$1mil on guidelines /circular drafted, and \$1mil on issuance] - SOE performance evaluation reports - SOE rewards ceremony report - Grants/subsidies to SOEs - Turnaround/exit strategies for non-performing SOEs 	SOE Monitoring Cell, SOE Wing, Budget Wing, Finance Division	Third party validation
Result Area 3: Promote enhanced transparency of the budget execution and enable timely accountability (Contribution to the PFM Strategy Goal 4)										

²⁰ Classify SOEs into commercial and non-commercial, and categorize the various types of grants to SOEs (bail-out/ financial assistance, service delivery grant, and capital project grant)

<p>DLI 8: Budget holders in MDAs effectively and transparently use financial information</p>	<p>Percentage Yes/No Number (\$12mil)</p>	<p>- The previous classification system limits financial reporting and analysis; and budget controllers do not use financial reports effectively - As at June 2018, the monthly report (in pdf. format) on fiscal position available on FD website was for December 2017 (six months behind). - Annual Accounts are produced with a significant delay and follow the old templates of finance and appropriation accounts</p>	<p>- FY18/19 budget released on new BACS (\$2mil) - A user group reviewed and endorsed iBAS++ improvement plan - IPSAS Cash-basis Standard adopted and a financial reporting handbook drafted</p>	<p>- At least 3 priority iBAS++ interfaces with other systems are operational²¹ (\$2mil) - At least 2 self-accounting entities (SAEs) using iBAS++ - Detailed budget execution reports published on the official website - IPSAS Cash-basis Standard adopted and financial reporting handbook notified</p>	<p>- At least 4 SAEs using iBAS++ (\$2mil) - 30% of budget-holders generate monthly 10 or more iBAS++ reports for budget execution decisions - Detailed budget execution reports published on the official website (\$2mil) - Govt. wide annual financial statements meeting IPSAS Cash standard (including external assistance) submitted to OCAG within 6 months of the fiscal year-end</p>	<p>- At least 7 priority interfaces between iBAS++ and other systems are operational²² - At least 6 SAEs using iBAS++ - 60% of budget-holders generate monthly 10 or more iBAS++ reports for budget execution decisions (\$2mil) - Detailed budget execution reports published on the official website - IBAS++ system used by the DDOs' at the Upazila level - IPSAS compliant Govt. wide annual financial statements²³ submitted to OCAG within 6 months of the fiscal year-end</p>	<p>- Annual budget plan duly endorsed by a user group - IBAS reports generated by SAEs - System logs on use of iBAS reports by the budget-holders - Published budget execution reports - Citizen engagement in monitoring service improvements enhanced by public finance improvements - IPSAS adoption by OCAG - IPSAS compliant annual financial statements [Scalability: \$1mil Unaudited AFS submitted to OCAG within 9 months]</p>	<p>iBAS project office, Budget Wing, Finance Division</p>	<p>OCAG</p>
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DLI-8

²³ Including notes for receivables and payables



<p>DLI 9 – Action taken on audit reports in selected MDAs - (education, health, roads, public works, & local government) and procurement post review in FD</p>	<p>DLI-9</p>	<p>Percentage Yes/No (\$7mil)</p>	<p>Internal audit units are not effective. Internal audit activities consist primarily of ex-post reviews focused on financial compliance</p>	<p>- Model Internal Audit Charter notified and risk based internal audit manual issued (\$1mil) - System for annual procurement planning and post review established and training conducted (\$1mil)</p>	<p>- Internal Audit Units strengthened for two large spending and high-risk departments and training imparted on risk-based internal audit manual</p>	<p>- Internal Audit Units strengthened for six large spending and high-risk departments and training imparted on risk-based internal audit manual - Audit committees resolve at least 50% of audit recommendations for selected MDAs and procurement post reviews in FD (\$3mil)</p>	<p>- Internal audit report issued to two heads of the departments and PAOs (\$2mil) - Internal audit report issued to five respective heads of the departments and PAOs - Audit committees resolve at least 60% of audit recommendations for selected MDAs</p>	<p>- Internal Audit Charter - Organograms and working files of the internal audit departments - Internal audit reports - Audit committee notifications - Minutes of the audit committee meetings</p>	<p>Controller General of Accounts Expenditure Control Wing, Finance Division</p>	<p>Third Party Validation OCAG</p>
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Results Area 4: Establish an enabling environment for improved PFM outcomes (PFM Reform Strategy goal 5)

ES

DLI 10 – PFM program is effectively led through an adequate governance structure and an effective change management approach	DLI-10	Yes/No Number (\$14mil)	PFM reform implementation, and monitoring, and course-correction are not adequately coordinated, and a comprehensive change management approach needs to be implemented	<ul style="list-style-type: none"> - Program Coordination Team established -Program implementation teams established in all relevant FD wings/CGA office - Learning Hub on PFM Reform is activated (through recruitment of at least 3 full-time staff at IPF) -Semi-annual PFM program progress reports submitted to the Steering Committee (\$2mil) - Competency framework drafted²⁴ 	<ul style="list-style-type: none"> - Semi-annual program/ stakeholder retreats conducted to review the program progress reports (\$2mil) - 4 PFM field inspections are made - PFM innovation grants launched - At least 4 facilitators retained for leadership development - Learning Hub at IPF produced at least 3 research papers on reform lessons and published through their website (\$2mil) 	<ul style="list-style-type: none"> - Semi-annual program/ stakeholder retreats conducted to review the program progress reports - 6 PFM field inspections are made (\$2mil) - At least 5 PFM innovation grants awarded - Facilitation evaluation report submitted (\$2mil) - Learning Hub at IPF produced at least 7 research papers on reform lessons and hosted an international conference on financial reform lessons to be held in Bangladesh 	<ul style="list-style-type: none"> - At least 20 PFM innovation grants awarded - Facilitation evaluation report submitted - At least 100 civil servants (disaggregated by gender) completed specialized courses (\$4mil) - [such as macroeconomic fiscal model, debt management ...]²⁵ and professional certifications (such as CIPFA, PMP, CIA...)] 	<ul style="list-style-type: none"> - Program progress reports - Program retreat reports - Field inspection reports - Facilitator deployment orders - Facilitation evaluation report - PFM research papers - Updated competency framework - Professional certificates - PFM innovation awards ceremony 	Program Coordinate Team, Finance Division	Third Party Validation

²⁴ Competency framework should specify the minimum skillsets (education, knowledge, experience) adopted for PFM related jobs across the government and used for gender-informed recruitment and development training

²⁵ Qualifications that need 6 or more months are counted here.



Annex 2: Program Expenditure Framework

**Strengthening PFM to Enable Service Delivery
Budget by component**

Amounts are indicative, detail breakdown will be finalized during operational planning

All figures in USD'000	Economic Code/ Sub-code	Total incremental cost	Year wise cost			
			Year - 1 (2018-2019)	Year - 2 (2019-2020)	Year - 3 (2020-2021)	Year - 4 (2021-2022)
C-1 Nature of expense						
Administrative expenses	3211	515	180	210	125	-
Training	3231	744	175	230	270	69
Printing and stationery	3255	10	10	-	-	-
Professional services	3257	2,581	985	1,030	295	270
Machinery and equipment	4112	100	-	100	-	-
Other fixed assets	4113	700	-	700	-	-
Total		4,650	1,350	2,270	690	339

All figures in USD'000	Economic Code/ Sub-code	Total incremental cost	Year wise cost			
			Year - 1 (2018-2019)	Year - 2 (2019-2020)	Year - 3 (2020-2021)	Year - 4 (2021-2022)
C-3 Nature of expense						
Administrative expenses	3211	484	267	112	82	22
Training	3231	514	240	204	60	10
Professional services	3257	2,782	1,327	1,075	380	-
Machinery and equipment	4112	245	70	135	40	-
Other fixed assets	4113	375	200	175	-	-
Total		4,400	2,104	1,701	562	32

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All figures in USD'000		Year wise cost				
		Total incremental cost	Year - 1 (2018-2019)	Year - 2 (2019-2020)	Year - 3 (2020-2021)	Year - 4 (2021-2022)
C- 4 Nature of expense	Economic Code/ Sub-code					
Administrative expenses	3211	2,282	878	598	457	348
Training	3231	4,576	1,960	920	970	726
Travel and Transfer	3244	400	100	100	100	100
Printing and stationery	3255	100	58	24	14	4
Professional services	3257	10,112	3,911	2,521	2,231	1,451
Machinery and equipment	4112	650	107	67	477	-
Other fixed assets	4113	230	37	37	137	20
Total		18,350	7,050	4,266	4,385	2,649

All figures in USD'000		Year wise cost				
		Total incremental cost	Year - 1 (2018-2019)	Year - 2 (2019-2020)	Year - 3 (2020-2021)	Year - 4 (2021-2022)
C-8 Nature of expense	Economic Code/ Sub-code					
Administrative expenses	3211	1,199	155	520	347	177
Training	3231	2,505	160	1,135	940	270
Petrol, oil and lubricants	3243	71	21	50	-	-
Travel and Transfer	3244	389	-	270	50	69
Printing and stationery	3255	11	2	2	7	-
Professional services	3257	5,131	185	2,345	1,900	700
Machinery and equipment	4112	494	34	100	310	50
Total		9,800	557	4,422	3,554	1,266

S/L

All figures in USD'000		Year wise cost				
		Year - 1 (2018-2019)	Year - 2 (2019-2020)	Year - 3 (2020-2021)	Year - 4 (2021-2022)	
C-9 Nature of expense	Economic Code/ Sub-code	Total incremental cost	Year - 1 (2018-2019)	Year - 2 (2019-2020)	Year - 3 (2020-2021)	Year - 4 (2021-2022)
Administrative expenses	3211	5,352	330	1,710	1,675	1,637
Training	3231	3,032	910	747	960	415
Printing and stationery	3255	140	10	-	20	110
Professional services	3257	7,517	1,379	1,699	2,659	1,779
Machinery and equipment	4112	40	-	40	-	-
Other fixed assets	4113	320	-	210	-	110
Total		16,401	2,629	4,406	5,314	4,051

All figures in USD'000		Year wise cost				
		Year - 1 (2018-2019)	Year - 2 (2019-2020)	Year - 3 (2020-2021)	Year - 4 (2021-2022)	
C-10 Nature of expense	Economic Code/ Sub-code	Total incremental cost	Year - 1 (2018-2019)	Year - 2 (2019-2020)	Year - 3 (2020-2021)	Year - 4 (2021-2022)
Administrative expenses	3211	2,010	770	530	455	255
Training	3231	3,089	1,290	890	634	275
Travel and Transfer	3244	100	-	100	-	-
Printing and stationery	3255	210	15	65	110	20
Professional services	3257	6,401	1,890	2,360	1,590	560
Machinery and equipment	4112	600	360	80	160	-
Other fixed assets	4113	90	90	-	-	-
Total		12,500	4,415	4,025	2,949	1,110

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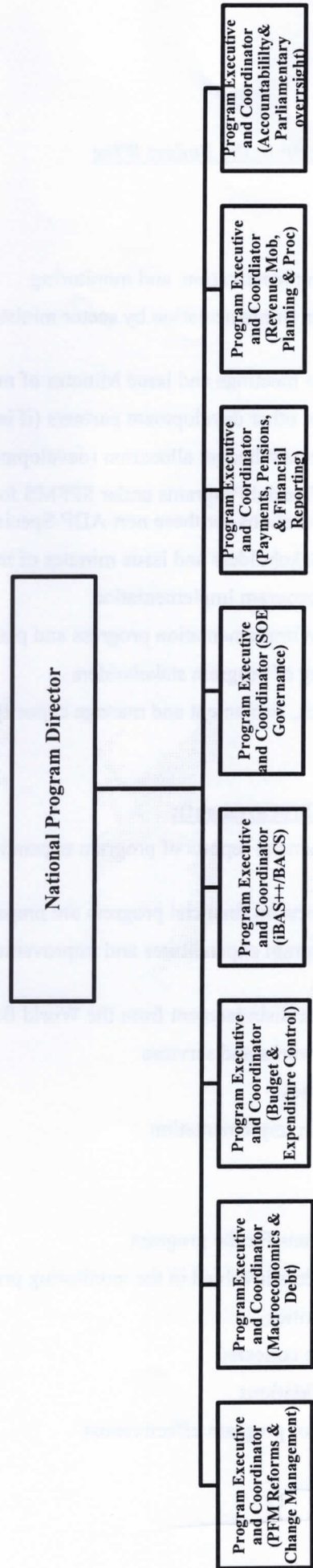
All figures in USD'000

C-14 Nature of expense	Economic Code/ Sub-code	Total incremental cost	Year wise cost			
			Year - 1 (2018-2019)	Year - 2 (2019-2020)	Year - 3 (2020-2021)	Year - 4 (2021-2022)
Wages and salaries	3111	1,199	300	300	300	300
Administrative expenses	3211	4,743	858	1,469	1,245	1,171
Training	3231	3,932	1,543	1,296	936	159
Petrol, oil and lubricants	3243	-	-	-	-	-
Travel and Transfer	3244	435	143	123	108	63
Printing and stationery	3255	107	54	19	17	17
Professional services	3257	4,934	1,645	1,425	846	1,018
Repairs and maintenance	3258	-	-	-	-	-
Machinery and equipment	4112	160	135	10	10	5
Other fixed assets	4113	90	75	5	5	5
Total		15,600	4,752	4,646	3,465	2,736

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Annex 3: Key Roles and Responsibilities

Figure 4 SPFMS Program Execution & Coordination Team



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Program Execution and Coordination Team in the Budget Wing

Overall:

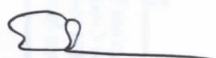
- Coordinate all program preparation, implementation, and monitoring
- Provide financial oversight on program implementation by sector ministries (education, health, justice, and agriculture)
- Convene Program Steering Committee meetings and issue Minutes of meetings
- Coordination with the World Bank and other development partners (if involved)
- Prepare program documentation, plans and budget allocation (development and recurrent)
- Coordinate and submit the non-ADP Special Programs under SPFMS for the approval of the Finance Minister and ensure annual budget allocations for these non-ADP Special Programs
- Conduct bi-monthly meeting of key stakeholders and issue minutes of meetings
- Set up guidelines and regulations for program implementation
- Prepare monthly and annual reports on implementation progress and plans
- Conduct monthly coordination meeting of program stakeholders
- Consolidate plans and budget estimates, implement and manage capacity building activities, and prepare relevant reports

Fiduciary (Financial Management and Procurement):

- Generate and compile semi-annual financial reports of program expenditures for disbursement purposes
- Ensure that accounts are kept and reports on financial progress are prepared in timely manner
- Facilitate the audit process for the program expenditures and improvement of internal controls over the life of the program
- Send credit withdrawal applications for disbursement from the World Bank
- Oversee/execute contracts for goods, works and services
- Plan and carry out procurement activities
- Provide financial oversight on program implementation

Monitoring and Evaluation:

- Develop monitoring and evaluation plans for the program
- Coordinate with various key stakeholders involved in the monitoring process
- Liaise with program implementing entities
- Ensure quality and consistency of data collected
- Arrange for conduct of third party validations
- Oversee production of impact studies of program effectiveness



- Conduct special ad hoc studies to assess specific issues under the program as needed
- Feed data/information into annual monitoring and progress reports

Incentives for Sectoral Outcomes:

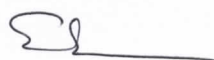
- Liaise with sector ministries on public service delivery issues to be solved under the program
- Coordinate with sector ministries for achievement of DLIs that require coordination or implementation at the sector level
- Engage other internal/external agencies for monitoring of DLIs as per agreed framework
- Agree the incentives/sector priority expenditures (additional allocation for sector's priority expenditures) for each sector and design a funds-flow for this incentive mechanism under the program
- Support sector ministries in achieving the DLIs. This may involve facilitating coordination with the central ministries of Government of Bangladesh

PFM Capacity Building

- Coordinate demand-driven support from all PFM institutions for preparation and implementation of PFM capacity building activities under the program
- Ensure that the PFM activities are in line with the PFM Strategy and Action Plan and also consolidate the successes of the ongoing PFM reforms program of the government of Bangladesh
- Ensure that the PFM capacity building has direct impact to improve service delivery in particular for the results areas selected in each of the sector ministry
- Coordinate PFM reform/capacity building with on-going initiatives undertaken by GoB with or without the support of other development partners
- Coordinate preparation of Terms of Reference of specific activities
- Recruit consultants, service providers, trainers (as firms or individuals), as required
- Ensure that consultants provide outputs in accordance with their respective terms of reference and paid for their services in a timely manner
- Monitor the results indicators for the activities and provide necessary reports to the authorities, steering committee, and the World Bank

Change Management

- Coordinate the ongoing change management pilots and document multiple variants of the problem-solving methodology (step-by-step) and lessons learnt for replication on a more frequent basis
- Manage the preparation and implementation of change management activities
- Recruit and training national facilitators for implementation of change management activities
- Assign facilitators to the respective FD wings and sector ministries based on the problems identified
- Monitor the work of facilitators and manage the individual workloads
- Manage the cross-fertilization among sector ministries with respect to problems solved in one ministry which may have some potential application in other ministries



- Document the change management methodologies so evolved, lessons learnt, and achievements, and disseminate/impart these skills to public sector managers in selected ministries, and also see how these could be included in the necessary curriculum for senior government officials across the board
- Produce/oversee production of semi-annual statistical data reports
- Produce/oversee production of semi-annual analysis of program progress
- Ensure that the change management activities have direct impact to improve service delivery in particular for the results areas selected in each of the sector ministry
- Coordinate the change management activities with on-going reform initiatives/action plans pursued by GoB with or without the support of other development partners
- Monitor the results indicators for the activities and provide necessary reports to the authorities, steering committee, and the World Bank

Key Roles and Responsibilities of Program Implementation Teams

Overall:

- Coordinate with PECT for the program implementation and monitoring
- Participate in Program Steering Committee meetings
- Coordinate with the World Bank and other development partners (if involved)
- Prepare program documentation, plans and budget allocation (development and recurrent)
- Provide progress reports for activities managed under the program
- Ensure that accounts are kept and reports on financial progress are prepared in timely manner
- Facilitate the audit process for the program expenditures and improvement of internal controls over the life of the program
- Oversee/execute contracts for goods, works and services
- Plan and carry out procurement activities
- Provide financial oversight on program implementation
- Develop monitoring and evaluation plans for the program
- Coordinate with various key stakeholders involved in the monitoring process
- Ensure quality and consistency of data collected
- Conduct special ad hoc studies to assess specific issues under the program as needed
- Feed data/information into annual monitoring and progress reports

