

Terms of Reference (TOR) for Third-party for the verification of achievements of DLI targets

1. Background

1.1 Despite the important improvements in PFM, there is significant room to improve several PFM areas which are limiting the effective delivery of services to citizens.

Strengthening PFM has been a cornerstone of reforms toward sound macroeconomic management and good governance. A sound PFM system is considered as fundamental to the Seventh Five-Year Plan objectives to effectively manage public resources. The new Strengthening Public Financial Management Program to enable Service Delivery (SPFMS) is designed 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—as was the case in the past—but to enable better service delivery to the citizens. The SPFMS includes eight components in the PFM Action Plan that are directly led by the Finance Division including macro-fiscal forecasting, debt management, budget preparation and execution, IFMIS, TSA, SOE performance monitoring, pensions management, internal audit, and financial reporting. The SPFMS will 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 Program Execution and Co-ordination Team and Program Implementation Teams.

1.2 The PFM Reform Strategy (2016–21) was approved by the Minister of Finance (MoF) 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 MoF, OCAG, the Planning Commission, and the National Board of Revenue, among others.

1.3 A PFM Action Plan (2018–23) has recently been approved to support the effective implementation of the PFM Reform Strategy.

This PFM Action Plan provides the implementation road map 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, and 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.

1.4 Separate Disbursement-Linked Indicators (DLIs) will be subject to a different verification process based on their nature and the type of data involved.

Program result areas are designed to make significant contribution to five goals of the PFM Reform Strategy. DLIs have been selected to measure concrete achievements in each of result areas. Out of the ten, five DLIs will be verified by an independent verification agency to be appointed by the SPFMS Program. Four DLIs (DLI 3, 4, 5 and 8), that involve financial data, will be verified by the Supreme Audit Institution—Office of the Comptroller and Auditor General (OCAG). Finally, one DLI (DLI 2) on the improved budget quality through better performing Budget Management Committees (BMCs) will be verified by the Cabinet Division as part of their support to other ministries on Annual Performance Agreements. Using multiple verification entities elsewhere will improve the quality because of the existence of corroborated information and healthy competition among those entities. Using independent government institutions such as the OCAG and Cabinet Division strengthens country-owned monitoring systems in a more sustainable manner.



2. Objective

The Program verification will be a continuous process of gathering data and comparing actual results of DLRs with the expected results. The verification will be supported by the program monitoring. The SPFMS will use existing systems within the Government whenever possible to carry out results-based monitoring, including the MoF's SOE Monitoring Cell, OCAG, and Implementation Monitoring and Evaluation Division (IMED). When needed, nongovernmental bodies will be engaged, including research institutes and external audit firms. 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 World Bank operation to the Government. This monitoring process will support the DLI verification which will be carried out by the three independent verification agencies as specified above. The verification agency will validate achievement of the SPFMS annual DLRs as reported by the program as per the verification methods outlined in this ToR. The final verification reports are to be sent to the Finance Division and World Bank.

3. Scope of work

For the five DLIs, the third-party verification agency will prepare periodic result verification reports based on the evidences received from Finance Division, Macro Economic Wing, Treasury and Debt Management (TDM) Wing, Budget Wing, State Owned Enterprise (SOE) Wing, SOE Monitoring Cell, Line ministries, Integrated Budget and Accounting System (iBAS++) scheme office, OCAG according to the agreed verification protocol and approach (Table 2). Without prejudice to the content of DLRs and their definition in the financing agreement between Bangladesh and World Bank, the verification procedure are described as follows:

3.1 DLI 1: Use of improved fiscal projections for budget-making

- Review the requirements specification approved by all key stakeholders to ascertain that the specifications of the new model is suitable to the Bangladesh conditions and will add value relative to existing excel based flow of funds approach
- Review the model characteristics and dataset and ascertain that they are likely to meet the essential requirements as set out in the model requirements documentation
- Review the model's forecasts to ascertain their realism given the underlying assumptions, and also on the reasonableness of those assumptions
- Review the Annual budget brief and Medium Term Macroeconomic Policy Statement (MTMPS) submitted to the Budget Monitoring and Resource Committee to verify the use of the model in forecasting macroeconomic variables.
- Review the updated Debt Sustainability Analysis, medium term debt strategy, and debt bulletin, and ascertain whether they are comprehensive and suitable for the country context. Also verify that the tools have been fully understood by the Debt Management Wing so to be applied on a sustainable basis.

3.2 DLI 6: SOE and autonomous bodies' debt and contingent liabilities statement prepared and submitted to policy makers

- Review the approved policy and procedures to regulate SOEs' debt and contingent liabilities including an upgraded framework for reporting by SOEs to the Finance Division, to ascertain that a credible process is defined to derive an SOEs' debt and contingent liabilities statement and adequate consultation has been carried out during the preparation of the policy and procedures



- Review the audited financial statements of SOEs, by accessing them from the web-pages, to confirm the number of SOEs that have published their audited financial statements
- Review the SOE Debt and Contingent Liability Statement for ALL SOEs submitted to the policy makers

3.3 DLI 7: Improved performance of the SOE sector and reduced subsidies as a percentage of total public sector spending

- Review the performance evaluation guidelines and scoring criteria as well as the grants policy and procedures manual/circular to ascertain they meet expected standard as agreed with the Program Implementation Team
- Review the performance evaluation reports to ensure they follow scoring criteria from performance guideline. Review the turnaround strategies to ensure that the SOEs included are as agreed with the Program Implementation Team.
- Using SOEs annual financial statements and data from iBAS++ determine the grants/subsidies paid by government as a percentage of the total public spending

3.4 DLI 9: Action taken on internal and external audit reports in selected MDAs and post-procurement reviews in the Finance Division

- Review the Internal Audit Charter to ascertain comprehensiveness and that it has been notified
- Review risks-based audit manual to ascertain that it clarifies and distinguishes the roles and responsibilities of PAOs and internal auditors, covers all other expected topics, and has been notified and reviewed the internal audit reports to ascertain that they meet guidelines in audit manual
- Review the procedures established for the procurement planning and post reviews.
- Review audit memorandum tracking action taken on audit and procurement post review recommendations and ascertain the percentage that are resolved, this will include appropriate sanction of officers for deliberate non-compliance with rules and regulations, wasteful expenditure and fraud

3.5 DLI 10: PFM Action Plan implementation is effectively led through an adequate governance structure and an effective change management approach

- Review the program progress reports, retreat reports, field inspection reports and facilitation reports to ascertain that they meet the requirements as set out in DLI 10 Technical Note. Obtain copies of certifications to ascertain that 100 civil servants completed the required professional courses, of which at least 30 should be women.

3.6 Physical verification (sample survey): In some specific cases apart from document review, physical verification will also be required. Appropriate survey agencies/ firms deployed by the verification agency will conduct physical verification as and when required through spot checks in and interviews with relevant stakeholders such as Budget holders, DDOs, Accounts officers and vendors in Upazila and District level, government beneficiaries and SOEs. The required sampling method, design and implementation of the sample surveys will be documented in the inception report.



4. Table 1 Deliverables and time line:


Deliverable	Description	Frequency/time line
Output 1	<p>Inception Report</p> <p>This will include:</p> <ul style="list-style-type: none"> (i) Plan for assigning consultants as and when required; (ii) verification methodology for each DLR (iii) verification action plan and budget 	February 2020
Output 2	<p>DLI Verification Report</p> <p>This will include:</p> <ul style="list-style-type: none"> (i) an executive summary of key findings, including a table showing for each DLI reviewed, the target, achievement reported by Finance Division, verification outcome (achieved, not achieved, partially achieved, extent to which achieved); (ii) summary of progress for each DLI target indicating the comparison of achievement against annual targets; (iii) Recommendations on pending steps required for achieving DLI targets. 	Twice a year
Output 3	Final report inclusive of lessons learned and recommendations	July 2024

5. Duration

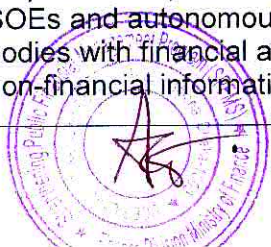
This ToR is for the SPFMS implementation period (November 2018 to June 2023) subject to satisfactory performance of all DLRs verification. The DLRs verification will be done at least twice a year and as several DLRs are scalable, these might be partially verified multiple times until their full achievement.





6. **Table 2: Verification method by DLI target (please refer DLI technical notes for more detail)**

DLI 1: Use of improved fiscal projections for budget-making		
<p>Definition: Currently, static revenue and expenditure estimates restrict effective policy making. Through DLI 1, the Macro Economic Wing will develop a new 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).</p>		
DLI Target	Protocol	Verification approach (for / VA)
<p>DLR 1.1: The requirements for the Macro-Economic Model have been finalized.</p>	<p>Acheivement description: DLR 1.1 is considered achieved when</p> <ul style="list-style-type: none"> the model specifications are compatible with the available data for Bangladesh. model specifications clearly outline the possible variables to be included in the model, including the major macroeconomic variables like GDP, prices, export/import etc. expected forecast horizon is clearly mentioned; the specifications give guideline on the general characteristics of the model (i.e. conducting different scenario analysis, incorporating the effects of different policy changes etc.) the Macroeconomic Wing and other relevant stakeholders within the Finance Division have endorsed the requirements. 	<p>Source economic data will be obtained from various entities and publications responsible for maintaining those datasets, such as Bureau of Statistics, Planning Ministry, Bangladesh Bank, Economic Relations Division, TDM wing, Controller General of Accounts, National Board of Revenue, etc. This database is already there but would be further updated and cleaned as needed for economic modelling. Other documentation regarding the development and use of the model will be prepared and kept by the Macro economic Wing, which would include the minutes of the Budget Coordination Council meetings etc. Information regarding the DSA, debt bulletin, and Medium-Term Debt Strategy(MTDS) would be provided by the TDM wing.</p>
<p>DLR 1.2: The software application to operationalize the Macro-Economic-Model has been procured and configured with relevant data.</p>	<p>DLR 1.2 is considered achieved when</p> <ul style="list-style-type: none"> the required software will be produced data validation is done, data is completed and configured with the new model. 	

<p>DLR 1.3: An updated medium-term debt strategy (including a Debt Bulletin and DSA) have been developed.</p>	<p>DLR 1.3 is considered achieved when</p> <ul style="list-style-type: none"> • A comprehensive review of the medium-term debt strategy is done and updated • DSA is conducted and the system is in place to conduct it regularly • Debt bulletin is prepared and published and the system is in place to publish it regularly 	
<p>DLR 1.4: The Macro-Economic Model has been completed, including the use of updated databases.</p>	<p>DLR 1.4 is considered achieved when macroeconomic model is prepared and presented before coordination council</p>	
<p>DLR 1.5: Projections from the upgraded Macro-Economic Model have been used for MTMF and budget preparation.</p>	<p>DLR 1.5 is considered achieved when MTMF is produced from the upgraded macroeconomic model.</p>	
<p>DLI 6 SOE and autonomous bodies' debt and contingent liabilities statement prepared and submitted to the policy makers</p> <p>Definition: Currently, financial information on a few number of SOEs is published in the annual Economic Survey of Bangladesh, SOE fiscal risks are not assessed and debt and contingent liabilities are not effectively controlled. DLI 6 seeks to strengthening the SOE monitoring by enhanced disclosure and monitoring of SOE information (including debt and contingent liabilities) and fiscal risks.</p>		
<p>DLR 6.1: Policy and procedures to regulate SOEs' debt and contingent liabilities (including an upgraded framework for reporting by SOEs to the Finance Division) have been drafted and issued by MoF.</p>	<p>DLR 6.1 is considered achieved when</p> <ul style="list-style-type: none"> • Debt and contingent liabilities policy document for all SOEs have been prepared <ul style="list-style-type: none"> • The policy document includes an upgraded and accessible financial reporting template which specifies the key financial and non-financial information required for all SOEs 	<p>FD will issue a simple reporting templates for SOEs to share their debts and contingent liabilities related information in coordination with their parent ministries. The SOE Monitoring Cell will follow-up on collection of this data. A database will be configured to compile such information for all SOEs and preferably SOEs will be given an option for the online entry into this database. The output of that database will be the SOE Debt and Contingent Liability Statement. SOEs Audited Financial Statements will be available on the websites and data will be retained by SOE Wing.</p>
<p>DLR 6.2: 100 SOEs and autonomous bodies have published their audited financial statements (covering the relevant Fiscal Year for which the DLR is being assessed).</p>	<p>DLR 6.2 is considered achieved when Annual financial statements are prepared and published by SOEs and autonomous bodies with financial and non-financial information.</p>	



<p>DLR 6.3: SOE debt and contingent liabilities statement (covering the relevant Fiscal Year for which the DLR is being assessed) has been prepared by MoF for all SOEs and submitted to policy makers.</p>	<p>DLR 6.3 is considered achieved when SOE debt and contingent liabilities statement is prepared considering total SOE debt and their contingent liabilities in aggregate and by entity, their impacts and associated costs on the economy, and the government's strategy for managing the fiscal risks.</p>	
<p>DLI 7: Improved performance of the SOE sector and reduced subsidies as a percentage of total public sector spending</p> <p>Definition: While there is some performance monitoring of SOEs there is no systematic and independent monitoring. DLI7 seeks to improve the monitoring and evaluation of SOEs through the completion of independent performance evaluation. This includes supporting the design and implementation of an SOE performance evaluation system with the Finance Division; supporting the development of turnaround strategies for SOEs; and reducing funds transfers to SOEs as a percentage of total public expenditures.</p>		
<p>DLR 7.1: SOE performance evaluation guidelines have been developed by the Finance Division, with clear scoring criteria.</p>	<p>DLR 7.1 is considered achieved when</p> <ul style="list-style-type: none"> • there is performance evaluation guideline that spell out the roles and responsibilities of the agencies and SOEs involved, the timeline of the evaluation, composition of the performance evaluation team, and the generic structure of the performance criteria. • The guideline should have clear scoring criteria. 	<p>SOE Monitoring Cell and SOE Wing will maintain and provide all the data regarding the performance evaluations of SOEs, turnaround strategies, and government subsidies to SOEs. Subsidy data will also be in iBAS++ but the gross values will be kept by the SOE wing.</p>
<p>DLR 7.2: A policy and procedures manual that enables an effective review of grants to SOEs has been drafted and issued by the Finance Division.</p>	<p>DLR 7.2 is considered achieved when a policy and procedures manual with various types of grants to SOEs has been drafted that enables an effective review of grants to SOEs.</p>	
<p>DLR 7.3: At least 10 SOEs have undergone an independent performance evaluation, in accordance with the SOE performance evaluation guidelines developed under DLR 7.1.</p>	<p>DLR 7.3 is considered achieved when at least 10 SOEs have undergone an independent performance evaluation through a credible and transparent process and reports have been prepared on results.</p>	

<p>DLR 7.4: Turnaround strategies have been developed for at least 10 non-performing SOEs.</p>	<p>DLR 7.4 is considered achieved when the turnaround strategies have been prepared and presented to the Minister of Finance for his approval</p>	
<p>DLR 7.5: The ratio of SOE transfers to total public spending (in the relevant Fiscal Year in which the DLR is being assessed) has been reduced by 15%.</p>	<p>DLR 7.5 is considered achieved when the amount of transfers provided by the Government of Bangladesh to all SOEs has been reduced</p>	
<p>DLI 9: Action taken on internal and external audit reports in Selected MDAs and post-procurement reviews in the Finance Division</p>		
<p>Definition: Internal audit is ad hoc and unstructured with isolated single audits and the applied standards are not based on international standards for the professional practice issued by The Institute of Internal Auditors. 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. In addition, this DLI also aims to address the procurement fiduciary risks by encouraging the procurement planning and post-reviews by the FD, and finally resolution of the backlog of both internal and external audit observations in selected MDAs.</p>		
<p>DLR 9.1: The Model Internal Audit Charter and the Risk-based Internal Audit Manual have been issued by the Finance Division.</p>	<p>DLR 9.1 is considered achieved when</p> <ul style="list-style-type: none"> • there is an evidence of notification of Model Internal Audit Charter • Evidence that the Risk based Internal Audit Manual has been issued 	<p>Expenditure Management Wing of FD will maintain the internal and external audit reports of selected entities, minutes of the audit committee meetings, and audit follow-up status with the help of respective internal audit units.</p>
<p>DLR 9.2: A system for annual procurement planning and post-review has been established by the Finance Division and training on the system has been conducted</p>	<p>DLR 9.2 is considered achieved when</p> <ul style="list-style-type: none"> • Procurement cell is established in FD with well qualified and experienced procurement staff • Annual procurement plan has been prepared and published • Consultant is hired to carry out the procurement post review 	
<p>DLR 9.3: Internal audit reports, prepared in accordance with the Model Internal Audit Charter and the Risk-based Internal Audit Manual issued under</p>	<p>DLR 9.3 is considered achieved when there is evidence of internal audit report issued to the PAO, Internal Audit Committee and copied to OCAG.</p>	

<p>DLR 9.1, have been issued to the heads of departments and Principal Accounting Officers of any two selected MDAs.</p>		
<p>DLR 9.4: The relevant Audit Committees resolve 50% of: (i) audit recommendations for each of the Selected MDAs, other than the Finance Division and (ii) audit recommendations and procurement post-reviews in Finance Division, based on the stock of total audit recommendations and procurement post-reviews, as applicable, pending for each of the relevant selected MDAs and the Finance Division respectively, at the beginning of the relevant Fiscal Year in which the DLR is being assessed.</p>	<p>DLR 9.4 is considered achieved when Audit Committee started tracking actions and resolve audit recommendations or lack of action taken on recommendations.</p>	

DLI 10: PFM Action Plan implementation is effectively led through an adequate governance structure and an effective change management approach

Definition: DLI 10 supports appropriate governance and change management processes for the entire PFM Action Plan implementation. Hence, DLI 10 supports a series of change management activities that are carefully articulated to analyze and learn from both successes and failures during the program implementation and improve approach to tackle the PFM problems. These change management activities include the key elements of program's governance, implementation, and M&E systems, such as enabling progress reports to the Steering Committee and that these are reviewed in a broad-based program retreat encouraging results monitoring and mutual accountability. DLI 10 also seeks to establish a sustainable PFM learning environment with strengthened capacity of the Institute of Public Finance as a learning hub and institutionalizing the PFM research, field inspections, and problem-solving facilitation/coaching. Annual performance reviews and DLI verification will enable a qualitative analysis of the enabling environment for PFM reforms so evolved and recommend improvements, as appropriate. The DLI will also support post-graduate education/certification of 100 or more civil servants in PFM.



<p>DLR 10.1: Two PFM Action Plan progress reports (prepared on a semi-annual basis and covering the relevant Fiscal Year for which the DLR is being assessed) have been submitted by the PECT to the Steering Committee.</p>	<p>DLR 10.1 is considered achieved when in each year of the program, progress reports are submitted every 6 months to the Steering Committee for review and possible course-correction and a brief summary is made available to the public one month later.</p>	<p>PECT will maintain all documentation related to it's operations including the program progress reports, assessments, retreat reports, field inspection reports and facilitation reports to ascertain that they meet the requirements as set out in DLI 10 Technical Note. PECT will also obtain copies of certifications to ascertain that 100 civil servants completed the required professional courses. IPF will support keeping the documents related to learning activities and develop a database of skillsets of FD personnel.</p>
<p>DLR 10.2: Two PFM Action Plan stakeholder retreats conducted to review the respective semi-annual PFM Action Plan progress reports prepared under DLR 10.1 (covering the relevant Fiscal Year for which the DLR is being assessed).</p>	<p>DLR 10.2 is considered achieved when Program Implementation Teams get opportunity twice a year to organize stakeholder retreat to reflect and review progress.</p>	
<p>DLR 10.3: The PFM Learning Hub has produced at least 3 research papers on PFM reform lessons and published the said reports through its website.</p>	<p>DLR 10.3 is considered achieved when Research papers are based on original research in the field of PFM are produced and published</p>	
<p>DLR 10.4: 6 field inspections to government service delivery centers to identify PFM-related issues have been carried out.</p>	<p>DLR 10.4 is considered achieved when</p> <ul style="list-style-type: none"> • the multi-institutional field inspections are organized in coordination between IPF and PECT • there is practice to document lessons in a brief inspection note which is shared with PECT and later used further in progress reports 	
<p>DLR 10.5: The PECT has prepared a report evaluating the performance of coaches, facilitators and/or implementation support consultants engaged to support the implementation of the PFM Action Plan.</p>	<p>DLR 10.5 is considered achieved when a yearly report is prepared by PECT and submitted to SC. The report should include an assessment at a minimum:</p> <ol style="list-style-type: none"> a) quality and relevance of the implementation facilitation provided; b) effectiveness of the Implementation Support Consultants in achieving and sustaining action plan 	



	objectives; c) lessons and recommendations.	
DLR 10.6: 100 civil servants (with data disaggregated by gender) have completed specialized PFM-related courses/certifications.	DLR 10.6 is considered achieved when a minimum of 100 civil servants are expected to have completed training (minimum 6-month duration) in the fourth year of the program and across at least 3 levels of government (junior, advanced and senior staff) and with a minimum 30% women. Completion indicates all required content is sufficiently mastered and tested and proven by a certificate, diploma or degree.	

7. Administrative and reporting

The verification agency will work in coordination with National Program Director at Finance Division. They will be responsible for DLI results verification and submitting reports simultaneously to Finance Division and World Bank. Both can suggest changes to the draft reports based on the factual errors or similar lacking. For disbursement purpose the Bank will then review the verification reports and retains the right to make a final decision as to whether DLIs have achieved or not.

8. Confidentiality statement

All data and information received for the purpose of this assignment are to be treated confidentially and are only to be used in connection with the execution of this Terms of Reference. All intellectual property rights arising from the execution of this Terms of Reference are assigned to GoB. The contents of written materials obtained and used in this assignment may not be disclosed to any third parties without the expressed advance written authorization of the GoB.



For DLI: 1, 6, 7, 9 and 10

9. Qualification Criteria:

SL No	Descriptions	Requirements
1	Qualification Criteria of the firm	The firm will have at least 10 years of experience of verifying tasks of similar nature as described above. (National, International or any consortium in related field)

10: Key Staff Qualification Criteria

SL No	Description of the post	Experience	Education Qualification	Man month	Marks distribution for key person
1	Team Leader	At least 20 years of experience as practicing CA	At least Master's Degree		
2	Audit Expert	At least 15 years of experience as practicing CA	At least Master's Degree		
3	SoE Expert	At least 15 years of experience in the SOE sector (including debt and contingent liabilities)	At least Master's Degree		
4	PFM Expert	At least 15 years of experience in PFM (including debt and contingent liabilities)	At least Master's Degree		
5	Public Sector Expert	At least 15 years of experience in the Public Sector and having an experience in working change management activities,	At least Master's Degree		
6	Research Economist	At least 15 years of experience as Economist Research interest in macroeconomics, time series analysis, empirical moods of macroeconomic indicators	At least Master's Degree		

11. Procurement Methods: QCBS

12. Source: International

